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# FINANCIAL TIMES

No. 27,563

Tuesday May 23 1978

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## NEWS SUMMARY

**GENERAL**

**S. Africa security bureau move**

South Africa is to introduce a Bill to regulate the organisation and control of the Bureau for State Security, whose existence was disclosed in 1969 when it became an offence under the Official Secrets Act to reveal anything about it.

No details were given of the Bill, but at the same time Dr. Connie Mulder, Minister of Plural Relations, announced that South Africa was scrapping the word "Bantu" to describe blacks. The name of Dr. Mulder's department was changed earlier this year from "Bantu Affairs." Page 4

**BUSINESS**

**Gilts hit 9-month low**

GILTS were influenced by speculation regarding higher interest rates and a possible rise in Minimum Lending Rate. The FT Government Securities Index fell by 0.26 to 70.19 - its lowest for nine months.

**STERLING** closed at \$1.8135, a rise of 65 points over Friday's close. The trade-weighted index improved to 61.6 (61.5). The dollar's trade-weighted depreciation improved to 4.78 (4.89) per cent.

**GOLD** rose \$1 to \$1791 after little trading activity. The New York Comex May settlement price was \$178.90.

**WALL STREET** closed 4.57 up at 853.42.

**BRITISH National Oil Corporation** is helping to boost North Sea oil exports to West Germany, despite Government restrictions on overseas sales of UK crude oil. It is selling some of its crude in barrels of Deminex, the German exploration and production company. Back Page and Page 5

**HASSEY FERGUSON**, the Canadian-based multinational, announced 1,070 redundancies at UK plants yesterday. The 4,700 manual workforce at the two Coventry tractor factories will be cut by nearly 20 per cent. Back Page

**CHANCELLOR** of the Exchequer, Mr. Denis Healey, said that Britain was prepared to join other Governments in studying proposals for associating EEC currencies, including sterling, in some form of new monetary arrangement. He was speaking after a Brussels meeting of EEC Finance Ministers. Back Page

**COMPLETED** Scorpion light tanks have been marooned at the Alvis manufacturing works in Coventry for almost a month because of a pay blacklist dispute between the Government, road hauliers and the Transport and General Workers' Union. Back Page

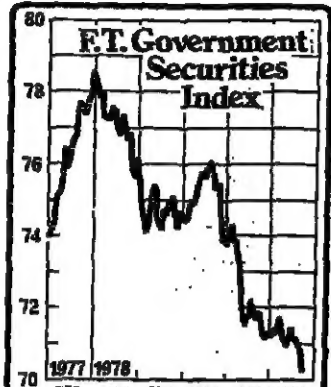
**INVESTMENTS** to tender for the first stage of a \$200m project to upgrade and expand Egypt's telephone network are expected from the Egyptian Government soon. An immediate injection of about \$30m is called for. Page 3

**GREENALL WHITLEY**, the largest regional-based brewing group, has launched a £180m bid for James Watson & Co., the Nottingham-based brewers. Six weeks ago, the latter defeated a bid from Northern Foods. Back Page and Lex Page 44

**SINGAPORE AIRLINES** has achieved a 15.5 per cent increase in pre-tax profit to about \$550m (about £15m) for the year to March. Page 30

**MERIDEN MOTORCYCLE** Co-operative had a trading loss of £857,564 for the 18 months to September 30 last year. Page 6

**TAXABLE** profits of Amalgamated Metal Corporation for the first quarter of 1978 are only slightly down, from £2.74m to £2.66m. Page 24



**Sadat wins vote**

President Sadat of Egypt won a 98.29 per cent referendum vote in favour of plans to curb extremists of the Left and Right, ban Communists from official life and discipline the Press. Page 4; Editorial comment Page 22

**Killer goes wild**

David Berkowitz, the "Son of Sam" Killer, went berserk in a Brooklyn courtroom, forcing the New York Judge to postpone sentencing for six murders until June 12. Berkowitz, who screamed that his last victim was a whore, tried to leap through a seventh-floor window on his way to court.

**Award for ideals**

Mr. James Callaghan is to receive the first Hubert H. Humphrey international award in New York on June 28. The award, from the National Committee on American Foreign Policy, goes to the statesman whose vision of relations approximates most closely to the ideals of the late former Vice-President.

**Boat accident**

Two bodies were recovered by police divers after a U.S. support vessel overturned on the River Waveney at St. Olave's, near Great Yarmouth. The boat had been involved in the attempt to salvage the wreck section of the stricken oil tanker Eleni V off the East Anglian coast.

**Rippon in bloom**

A fragrant miniature rose with salmon pink flowers, named after newspaper editor John Rippon, and a deep yellow Judy Garland rose are among exhibits at the Chelsea flower show, which opens for private view today.

**Print union acts**

Machine minders, whose unofficial action hit the Observer on two successive Sundays, will not work for the newspaper again, their union, the National Graphical Association, decided after a management demand for a guarantee of uninterrupted production. Page 9

**Labour's lead**

Labour has a 4.9 per cent lead over the Tories, according to a National Opinion Poll in today's Daily Mirror. It says that 55 per cent of the electorate are satisfied with Mr. Callaghan as Premier, while only 38 per cent are happy with Mrs. Thatcher.

**Tory pledge**

A Conservative Government would restore full comparability to Service pay next year, Sir Ian Kilgour, the party's defence spokesman, told the Commons. MPs rejected by 251 to 267 a Tory move to halve the Defence Secretary's salary. Page 9

**Briefly...**

Spanish hotel workers signed a wages agreement and promised that there would be no more strikes this season. Page 2

Two Bangladeshi crew members from the cargo ship Bangla Maan were taken to Penryn police station, Cornwall, after police action against an investigation report of a mutiny.

West Bromwich Albion beat hampshire City 2-0 in the third successive win of their Chinese manager.

Southampton man has been arrested in East Germany on charges of trying to smuggle an East German citizen out of the country.

**Chief price changes yesterday**

Prices in pence unless otherwise indicated

**RISES**

Albury 100 + 10  
actor Products 128 + 4  
aspire Resources 610 + 56  
ebens (UK) 584 + 12  
rootel 1125 + 10  
aribwest 334 + 19  
banon 158 + 5  
nganyika FALLS

War Loan 3pc 2311 - 4  
Arvon Rubber 210 - 3  
Baccharington 161 - 3  
Beecham 633 - 5  
Coral Leisure 103 - 5  
Greenall Whitley 112 - 3  
Ludbrook 183 - 7  
Lloyds Bank 300 - 8  
Metal Box 270 - 5  
NatWest 288 - 7  
Newmark (L) 170 - 8  
Whescon 75 - 5  
BH South 124 - 4  
Western Mining 98 - 6

## Volvo to be joint concern with 40% Norwegian stake

BY WILLIAM DULLFORCE: STOCKHOLM, May 22

Volvo, the Swedish car manufacturer, is being re-organised as a joint Swedish-Norwegian company with a 40 per cent Norwegian holding.

The Norwegian Government will guarantee a SKr 760m (£88m) investment in the share capital of the new company under an "agreement in principle" announced simultaneously today in Stockholm and Oslo.

The company is to develop and produce aluminium and plastic components for automobiles in Norway and will "localise manufacture of a certain new car model" there. The head office of Volvo Penta is to be moved to Norway, where a new series of marine diesel engines will be developed and produced.

Swedish Volvo will establish an oil company which will be granted North Sea exploration rights under the fourth concession round for which the Norwegian Government is now accepting bids.

These are the highlights of the agreement which Mr. Pehr Gyllenhammar, Volvo's managing director, said would strongly reinforce the company's capital base, give it a development potential which it would not otherwise have had and allow it to invest in new techniques. It implied a switch from a defensive to an offensive posture for Volvo.

Volvo's surprise move comes nine months after the collapse of its merger talks with Saab-Scania, the other Swedish car and lorry maker. It will put a stop to rumours that Volvo was seeking co-operation with a foreign car maker.

Volvo will obtain 40 per cent of the stock in return for an investment of SKr 760m. It shares will be offered on the Oslo stock exchange with the Norwegian Government guaranteeing to take up any that are unsold.

Mr. Gyllenhammar thought about half the shares would be sold to private investors but a Norwegian stockbroker expected that most would have to be bought by the Norwegian Government, at least initially.

In January, Norsk Hydro postponed plans for a new share issue because of the state of the market. It is likely therefore that the Norwegian State will become the largest shareholder.

Mr. Thorbjørn Faellid, Swedish Premier, thought Volvo's agreement would help to secure Sweden's future energy supplies. The Swedes have for long been trying to obtain access to Norwegian North Sea oil and gas.

Volvo Petroleum, the new oil company which will be wholly Swedish, will invite other Swedish companies to join in the concessions it will award offshore Norway. It also intends to prospect in areas other than the North Sea.

Volvo Flygmotor, the subsidiary which manufactures under licence the engines for Swedish military aircraft built by Saab-Scania, is excluded.

Continued on Back Page

## Compensation delays cut Vickers investment

BY BARRY RILEY

THE VICKERS engineering group is cutting projected capital spending for 1978 from £30m to about £20m because of delays in receipt of nationalisation compensation for its 50 per cent stake in British Aircraft Corporation and its formerly wholly-owned shipbuilding subsidiary.

Lord Robens, chairman of Vickers, described as "scandalous" yesterday the treatment of the company by the Government.

"If it was a private enterprise dealing with private enterprise someone would have been in the courts by now," he said in London.

Vickers was the only company to have had two large slices of its business taken away. Continuing uncertainty made it impossible to raise money by other means, such as through a rights issue. "Attlee would never have allowed a Government to behave in this way," said Lord Robens, who was Minister of Labour from 1964 to 1969.

Asked what amount the company would accept, Lord Robens said that £150m would be a fair offer.

In his annual report to shareholders, published today, Lord Robens states that the group's investment programme, designed to develop existing business and to replace nationalised operations, is being slowed down.

"Our ability to sustain these objectives and initiate further plans is now constrained by the delay in the commencement of negotiations and the Government declining to make available to us any reasonable sums of money by way of payments on account."

"At a time when Government is urging businesses to invest and is concerned at the high level of unemployment, it seems incredible that it should withhold payments for assets forcibly removed and so frustrate the very policy it is pursuing," Lord Robens states.

It was disclosed yesterday that Vickers is delaying planned extensions of capacity at its successful lithographic printing subsidiary, Howson-Atrophy.

Existing plant is worked on a four-shift basis, seven days a week. Without new investment there is little scope for further increases in output. Spending plans are being deferred until the group's cash position becomes clearer.

Vickers is concerned that even when Government compensation offers are forthcoming the likely outcome will be that in the absence of agreement the terms go to arbitration.

Lex Back Page

## Whitehall bunched spending

BY DAVID FREUD

GOVERNMENT spending accelerated at the end of the 1977-78 financial year as departments hastened to use up their cash limits, the Treasury admitted yesterday.

This contributed to the 31 per cent jump in money supply in the banking month to mid-April, announced last week. The predominant factor in the increase was public sector borrowing, accounting for 81 per cent of the £1.1bn rise in sterling M3.

However, the Treasury is reluctant to take measures to stop the bunching of spending.

Sir Anthony Rawlinson, Second Permanent Secretary of the Treasury, appearing as a witness before the general subcommittee of the Commons Expenditure Committee, said he was cautious about ordering measures to stop the practice.

"From a management point of view we would like to see expenditure flow smoothly through the year," he said.

However, from the monitoring figures already analysed there was evidence of a "considerable acceleration in spending at the end of the year."

He added: "This isn't always wrong or reprehensible, but it certainly happened."

There were three main reasons for the end-of-year acceleration. The first was the discipline of the cash limit. "It's a very natural thing if you are managing a programme to go cautiously in the early months of the year and then, when you see how things are going, to move forward faster in the last month."

Another factor was the end of the financial year, when bills from companies were presented and paid.

Finally, it was a time at which programme managers ordered their stores. "Managers may keep their orders till later when they know what their position is."

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## GDP up 1% in first quarter

BY MICHAEL BLANDEN

ECONOMIC activity picked up significantly in the first three months of this year, according to the latest figures published by the Central Statistical Office.

The index of Gross Domestic Product is provisionally estimated at 112.1 (at 1970 prices and seasonally adjusted). This is about 1 per cent higher than in the final quarter of last year.

The growth is mainly a direct reflection of the increase in the level of industrial output, which has already been indicated by

**GROSS DOMESTIC PRODUCT**  
(based on output data, 1970=100, seasonally adjusted)

1973	110.7
1974	109.6
1975	107.4
1976	108.7
1977	110.4
1978 1st	108.1
2nd	108.4
3rd	108.3
4th	110.2
1977 1st	110.6
2nd	109.5
3rd	110.6
4th	110.8
1978 1st	112.1*

\* Preliminary estimate.  
Source: Central Statistical Office.

the 1.6 per cent growth in the industrial production index published earlier this month.

The figure also reflects a higher level of activity in the distributive trades and in the transport and communication industries.

The signs of a pick-up in activity have been supported by the recent indications of an increase in business in the retail trade and a rise in consumer spending.

The latest figures of consumers' expenditure showed the January-March total to be some 2 per cent up on the final three months of last year, a recovery confirmed by a clear upward trend in retail sales.

The GDP figure published yesterday is based on output data, and particularly the index of industrial production.

There are two other measures of GDP, based on expenditure and income data, which in the short term can differ quite significantly.

The output figure is normally regarded as the most reliable pointer to short-term trends.

The indicators so far this year have suggested that the growth shown by the output-based index may be confirmed by the other indices when they are published next month.

## Belgians face breach with Mobutu

BY DAVID BUCHAN

BRUSSELS, May 22.

Belgium and Zaire seemed on the brink of a diplomatic rupture tonight after today's personal attack by President Mobutu of Zaire on Mr. Henri Simonet, the Belgian Foreign Minister.

This threw into confusion another Belgian Cabinet session tonight which decided to recall tomorrow half the 1,200 Belgian troops from Zaire.

Mr. Leo Tindemans, the Belgian Prime Minister, said later the remaining 600 troops would remain in Kamina "for an indefinite period" or until security was established in the area.

Mr. Tindemans reported that 2,155 white Europeans had been airlifted out of Kolwezi. By tonight 1,902 had arrived in Brussels.

President Mobutu was reported by the Zaire State news agency AZAP to have forbidden his diplomats any contact with Mr. Simonet, "whatever the consequences."

The two accusations in the AZAP report were that Mr. Simonet's earlier contacts with the Congolese National Liberation Front made to seek a peaceful evacuation, amounted to recognising the rebel movement, and that Mr. Simonet had personally delayed for 24 hours an answer to Gen. Mobutu's request for a Belgian military operation.

## Antipathy

Mr. Simonet has been careful all through the Shaba crisis to distance himself from the Mobutu regime, and has stressed that the mission of Belgian troops in Shaba is quite different from that of the French. His Socialist Party, second biggest in the Belgian Government, has displayed a considerable antipathy to the Zaire Government.

The Belgian Foreign Ministry has strongly denied the Mobutu accusations, and one official today described the Zairean President as "an expert on playing on the differences in internal Belgian politics."

Mr. Tindemans had earlier justified to Parliament the Belgian operation in Kolwezi, and sought to explain that the reasons for any delay were outside Belgium's control.

The operation had depended upon U.S. aircraft pre-positioning fuel in Shaba Province. Nevertheless Opposition leaders strongly criticised the Belgian Government, and said that what had been needed was "rapid and discreet" action.

Some skirmishing between rebels and Belgian and French paratroopers still apparently continued today, amid reports that another column of rebels was retreating toward Angola, taking white hostages with them.

**£ in New York**

	May 22	Previous
Spot	\$1.8130-\$1.8140	\$1.8085-\$1.8105
1 month	0.95-0.97 dts	0.94-0.96 dts
3 months	1.45-1.47 dts	1.43-1.45 dts
12 months	5.95-5.97 dts	5.95-5.97 dts

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## And at the end of it all what do you have?

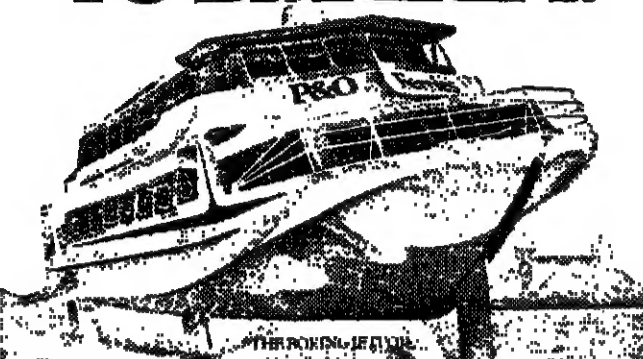
Getting to a business appointment at the other end of the country or somewhere in Europe can be a tiring, frustrating and irritating hassle. And at the end of it all you have one or more top executives who have not only wasted valuable hours in transit but are also in a far from ideal condition to negotiate and take decisions vital to the company's future.

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## EUROPEAN NEWS

### Dutch Government puts forward new works council plan

BY MICHAEL VAN OS AMSTERDAM, May 22

A DRAFT BILL for revamping industrial democracy in the Netherlands has been submitted to Parliament by the Dutch Cabinet. The plan essentially is to create a new works council which, according to drafters of the Bill, will give the councils "more independence". However, should a council meeting be taken important decisions, the director will be allowed to attend and speak, but not vote.

A separate body, the so-called "consultative meeting" will be created to comprise the works council and the company director as its chairman. This would meet before the works council takes independent decisions. Another change is that proposed, current or former works council members would not be dismissed for a period of two years. The members of new councils would have to be formally elected.

The draft Bill, which is expected to be approved in the House of Representatives, is broadly similar to the previous left-of-centre coalition Government's proposals, which constituted one of its major social reform plans. Initial reaction to the draft Bill from all sides except for the employers' organisation (VNO) is mildly favourable. The VNO's main criticism concerns the raising of the new councils' competence to include judgment on investments and acquisitions, not least because of the fear of abuse of information.

The original plans by the former Cabinet had not allowed the director to be present at council meetings and included appeal possibilities against directors' appointments. The criticism that the new draft Bill would add to increased polarisation between employers and employees has now lessened.

to raise the powers of the existing works councils, which every company with more than 100 employees should have.

According to the draft Bill, advice must be sought from works councils on matters such as mergers, acquisitions (including foreign ones if they affect domestic employment), closures and the appointment of directors.

In every case except for the appointment of directors, the councils can appeal to the District Court if they disagree with a management decision. Prof. Willem Albeda, the Minister of Social Affairs, has said that the District Court will not be able to rule on whether a proposed director is suitable but that in practice his appointment would not be very likely if a

### Polio hits religious groups

BY CHARLES BATCHELOR AMSTERDAM, May 22

AN OUTBREAK of polio in several religiously strict Dutch communities opposed to vaccination has affected 11 young people. A further three suspected cases are under observation. The confirmed cases, children aged 2-14, and a young woman of 22, are suffering from partial paralysis, the Health Ministry said.

The outbreak, the first major one since 1971, started in small communities in central and eastern Holland where the population belongs to the Reformed Church. The health authorities have begun a programme to distribute polio vaccine on sugar cubes to the affected communities but many parents refuse to allow their children to be vaccinated on religious grounds.

Holland must expect these outbreaks, although the health authorities will continue to advise parents to have their children vaccinated, a senior ministry official said. About 95 per cent of young children in most of Holland are vaccinated, but in one of the affected communities the figure was only 41 per cent. Breda has had a routine vaccination programme since 1967, one year after an epidemic affected 2,300 people.

### Swiss bank secrecy rules defended

By John Wicks

ZURICH, May 22. A PROPOSAL by Switzerland's Social Democratic Party to subject banking to tighter controls is "a danger for the Swiss economy," it is claimed by the country's Bankers' Association.

The body was commenting on a referendum motion passed by the party congress in Basle this week-end.

The proposal, while it does not foresee the abolition of banking secrecy in principle, does seek the secrecy rule lifted in certain instances, specifically in connection with cases of presumed tax evasion.

With regard to domestic taxpayers, the motion calls for banks to be liable to present information on the accounts of self-employed persons and "owners of capital."

At the same time, the Social Democrats want Switzerland to act against the flow of fugitive capital from abroad, so that "the bourgeoisie in weak-currency areas like Italy, France and the Third World can no longer use the Swiss financial centre to the detriment of their own states."

The reporting regulations for banks would also be extended, while banks' holdings in the non-bank sector would be limited and obligatory deposit insurance introduced.

The Bankers' Association contends that realisation of the proposal would hinder the international operations of Swiss banks and thus harm an important support for the national export industry. The banking system's ability to provide cheap capital for the Swiss economy would also be impaired.

The compulsion for banks to supply information to domestic and foreign authorities would be applied in Switzerland, even where they were at odds with Swiss legal criteria.

The association stresses its belief that the privacy of bank clients should be protected. However, it says banks are prepared to co-operate in the creation of laws and regulations "to obviate misuse of banking secrecy."

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### Rise of £27 for Malaga hotel staff

Hotel workers on the Costa del Sol signed a wage agreement with employers yesterday to end a two-month dispute which had jeopardised the Spanish holidays of thousands of tourists, Reuter reports from Malaga.

The workers' union, who strike left holidaymakers making their own beds and eating cold meals earlier this month, promised no further strikes this season in return for a 10 per cent rise in pay, plus a 200-odd commercial banks with money at risk in Turkey.

There is optimism in the Turkish Central Bank at least that the restructuring plan will meet with universal agreement, though opinions vary within the co-ordinating group. One view is that given Turkey's economic problems there actually is not much choice for the banks, which

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### Malta merger

A merger between Mr. Dom Mintoff's ruling Labour Party and the General Workers' Union of 20,000 was completed when union delegates approved by acclamation the necessary changes in the union's statute, Godfrey Grima reports from Malta.

The union committee from both sides will monitor implementation of the jointly formulated Labour Party manifesto.

Orly security

French police are to step up security at Orly Airport after the weekend shooting in which three Arab gunmen and one policeman were killed. Reuter reports from Paris.

Orly, said Reuter, police chief said, will see an extra company of about 100 police arrive to reinforce the 650 civil and military police who patrol the airport.

### Rome explosions

Bomb attacks on the Italian justice Ministry and four other targets in Rome and Milan, caused serious damage but no injuries, Reuter reports from Rome.

A parcel bomb was dropped at the entrance to the justice Ministry. It shattered windows and blew up telephone cables.

### Glstrup wins appeal

The Danish High Court yesterday over-ruled orders by a lower court confiscating five houses and assets of Mr. Mogens Glstrup, the leader of Denmark's anti-tax party, for alleged tax evasion. Reuter reports from Copenhagen.

Earlier this year, Mr. Glstrup was fined Dkr 1.5m (\$264,000) but both he and the prosecution appealed to the High Court against the sentence.

### New friendship chief

Herr Erich Mueckenberger, a member of the East German Politburo, was elected president of the Society for German-Soviet Friendship. Reuter reports from East Berlin.

The society has 3.5m members. Herr Mueckenberger, one of two former Social Democrats left in the communist Party's 19-member ruling body, replaces Dr. Lothar Bolz, who said he was stepping down for reasons of health and age.

### Travel agency bombed

A bomb exploded yesterday in a Paris travel agency which is specialising trips to Argentina for the World Cup soccer championships, Reuter reports.

## OECD TALKS ON TURKISH DEBT

# Payment postponed

BY MARY CAMPBELL IN LONDON AND METIN MUNIR IN ANKARA



Turkey's economy as seen by the newspaper Milliyet: Finance Minister Mucizoglu rolling up help for Prime Minister Ecevit.

THE AGREEMENT to reschedule the \$1.5bn of short-term debt owed by Turkey to official institutions overseas marks the third leg in Turkey's long protracted debt restructuring negotiations. The agreement, which also includes debt guaranteed by public bodies overseas, was reached last weekend at a meeting of the working party of 14 OECD countries in Paris. It is a framework within which individual countries will make independent bilateral agreements with the Turkish Government on detailed implementation.

In the last couple of years Turkey's debt problem has become one of the most formidable ever faced by the international financial community. One aspect is the sheer size of the debt—at some \$15bn more than five times that of, for example, Zaire—so that a large number of people are affected.

The question to which an answer has had to be found is its unsatisfactory maturity structure. A high proportion of Turkey's debts has been short-term—many of the payments being bunched together last year and this year. By the end of last year, Turkey had already defaulted on \$2.5bn of debt, most of it owed to suppliers rather than banks or governments. This year a further \$2.5bn has to be repaid, most of it to commercial banks.

The ground rules for debt restructuring established by the international banking system, particularly in the case of Zaire, meant that before the commercial banks would agree to reschedule their debt, Turkey had to reach agreement with the IMF on an economic programme preparatory to drawing from that institution.

Agreement has been reached with the IMF for a stand-by arrangement authorising Turkey to borrow up to the equivalent of SDR 300m over the next two years in support of the programme of economic adjustment adopted by the Government of Mr. Bulent Ecevit. In addition, the IMF has agreed to provide SDR 74.5m in the form of a loan to help Turkey meet its obligations to the IMF.

These sums are not negligible, but can cover only a small proportion of Turkey's needs. The most important point about the IMF agreement was that it opened the way to formal negotiations with the commercial banks.

These have proceeded rapidly, although they are not expected to meet the June deadline quoted by some for completion of the restructuring operation. A committee of eight banks—those with the largest commitment in Turkey, who between them account for more than a quarter of the \$2.5bn debt being restructured—has been formed.

Their representatives reached basic agreement on what needs to be done, and their proposals are currently awaiting approval from the main credit committees in each of the eight banks. The most important point about the agreement was that it opened the way to formal negotiations with the commercial banks.

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have about \$2bn in the so-called extension would apply to deposits which matured last year (some \$400m.) but could not be paid off. At the end of the third year after extension, 25 per cent of each deposit would mature, and a further 25 per cent would do so in each subsequent year.

This programme presupposes that within three years the Turkish economy will stabilise and that creditors wish to keep their deposits intact instead of withdrawing them.

The matter of the interest to be paid on the extended deposits has not yet been resolved. Repayment will be made in the currencies in which the deposits were made. The convertible Turkish lira accounts scheme will remain in effect unaltered.

The \$2.5bn restructuring will not even cover the amounts due to be paid to commercial banks by the end of this year. It leaves completely open the question of overdue suppliers' credits. The precise amounts involved under this head are by no means clear—not least because some of the \$2.5bn, nominally overdue by the end of last year, as far as Turkey was concerned, had in fact been covered by Turkish businessmen from funds they held abroad. But it is thought to be substantial and to have increased further this year.

What the commercial banks hope is that money from government—or from the OECD consortium—will help alleviate this problem. In the first instance, project credits to Turkey and gradually, quickly bunched to \$1bn, and then to \$2bn. From about mid-1977 the Central Bank could not pay the debts as they fell due, and they were rolled over with creditors receiving interest only.

According to the restructuring programme which has been prepared by the eight banks, deposits in the convertible Turkish lira account are to be extended as they mature. None, or the however, are to be extended mid-1980. The same players are situated.

### A high proportion of Turkish debt has been short term—many of the payments being bunched together this year and last.

for all concerned for a year or so. Foreign banks received attractive interest rates, above the London Inter-Bank Offered Rate (Libor). The Central Bank used the foreign exchange to finance imports, and local industrialists and businessmen drew their Turkish lira equivalent in welcome credit.

The Turks, however, had made a bad mistake which, when their foreign exchange situation deteriorated, proved near-fatal. Not only was the high interest rate costly, but the deposits were almost all short-term, the overwhelming bulk under one name—Turkish Central Bank. Thus the Central Bank gradually found itself quickly bunched to \$1bn, and then to \$2bn. From about mid-1977 the Central Bank could not pay the debts as they fell due, and they were rolled over with creditors receiving interest only.

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### Irish police claim 35% rise

BY OUR OWN CORRESPONDENT DUBLIN, May 22

THE BODY representing Irish police sergeants and inspectors has lodged a 35 per cent wage claim, in addition to the 8 per cent offered them under the national wage agreement.

Their spokesman, Mr. Derek Nally, said the claim was based on the degree to which they had slipped in the earnings scales relative to private industry. They were also concerned that their differential over constables had been eroded.

Such a claim is bound to be vigorously resisted by the Government which is concerned, as part of its anti-inflationary strategy, to hold public sector pay at the 8 per cent limit.

There was a warning today that there will have to be an improvement in the relations between the police and the Government. Mr. Michael Killeen, director-general of the Industrial Development Authority, which seeks to attract foreign investment to Ireland.

Last year 400,000 man-days were lost, 40 per cent of them because of unofficial disputes.

### NOTICE OF REDEMPTION

To the Holders of

## GOULD INTERNATIONAL, INC.

9 3/4 % Guaranteed Notes Due 1983

Issued under Indenture dated as of June 15, 1975

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the above-mentioned Indenture, \$625,000 principal amount of the above described Notes has been selected by lot for redemption on June 15, 1978 at the principal amount thereof together with accrued interest to said date, as follows:

NOTES OF \$1,000 EACH

and constables who between 1970 and 1975 accumulated a £100 million debt between them. The debt has since been formed, but the constables have been ordered to pay it back on what they are earning and their profits. The constables' union, the main creditor of the debt, will then be paid back the other 200-odd constables with money from the State.

There is a problem in the Turkish at least that plan will meet agreement, but within the P. One view is that the economic situation is actually a crisis for the banks, which

# Irish police claim 35% rise

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Last year



EUROPEAN NEWS

# Belgium's steel rescue package broadly agreed

BY DAVID BUCHAN

BRUSSELS, May 22

BROAD AGREEMENT on a rescue package for the Belgian steel industry was reached at last Saturday's top-level meeting between Government Ministers, companies and unions, but another meeting on June 15 is expected to finalise the details.

Mr. Leo Tindemans, the Prime Minister, who dashed in and out of the 70-strong gathering to attend to the Shaba crisis, said afterwards "considerable progress" had been made.

But the key issue of state participation in the hitherto privately-owned steel sector was left unsettled.

The Economic Affairs Minister, Mr. Willy Claes, has proposed that to relieve some of the BFR's 65bn debt now weighing on the Belgian companies, the state would take shares in payment of interest on public loans it has made.

Under this plan, the State could shortly become the majority shareholder in the most indebted companies. This, according to one participant at the week-end meeting, might with tear gas and water cannon.

# Brussels intervention in industry defended

By Our Own Correspondent

BRUSSELS, May 22

VISCOUNT Edouard Davignon, the EEC Industry Commissioner, today told top West German industrialists that the Brussels Commission had a role in intervening in European industry to "facilitate and accelerate" unavoidable changes in its structure.

Officials here said M. Davignon's remarks, made in a speech to the Federation of German Industries' annual meeting in Berlin, were specifically aimed at rebutting the attack earlier this month by the West German Economics Minister, Herr Otto Lambrecht, on the Commission's failure to prevent growing protectionism and cartelisation in the EEC.

The Industry Commissioner conceded that protectionism could jeopardise the Community's trading position, and that state aid by EEC governments threatened to "throw into question the unity of the Common Market and distort competition."

But he said the Commission had a role to play in certain depressed sectors by controlling state aids, contributing to the creation of new jobs, and negotiating agreements with trading partners to give European industry a breathing space.

Significantly, the sectors he mentioned included synthetic fibres, where, it is understood, a proposed cartel agreement by a dozen major companies, two of them West German, has met with approval from Bonn.

Last week EEC Competition Commissioner, Raymond Vloeberghs, said that the Commission was thinking of authorising the cartel under a proposal which would require approval by member Governments, that would allow the setting up of a limited "crisis cartel."

M. Davignon told the German Federation that the Commission also had a role in those other sectors which were not yet in trouble but which might shortly be so. In these cases, "warning systems" should be set up to anticipate problems.

Commenting that the Commission did not want to turn itself into a "hospital for industrial invalids," the Commissioner said there was scope for Community action in such sectors as aerospace and computers.

# Portugal seeks to raise \$700m loans on Euromarket

BY JIMMY BURNS

LISBON, May 22

PORTUGAL is hoping to raise \$700m in loans from the Euromarket to help restructure its short-term foreign debt and stimulate investment.

A Portuguese delegation, led by Dr. Vitor Constancia, the Minister of Finance, and including leading representatives from the Bank of Portugal, will leave for the U.S. once the Portuguese "letter of intent" has been formally accepted by the executive council of the International Monetary Fund (IMF) in Washington on June 5. The Portuguese mission will meet representatives of commercial banks in Washington and New York and then leave for similar talks in London and Frankfurt.

The Portuguese authorities are hoping that borrowing from the Euromarket will ease pressure on reserves. For, contrary to what was alleged in some news reports here early in April, Dr. Silva Lopes, the Governor of the Bank of Portugal, has not succeeded in deferring repayment of loans that were to be liquidated over the next two years. It is hoped here that if the \$700m can be successfully raised as from next month, the Government would not have to sell its gold, always officially regarded here as the country's "last line of defence" against total bankruptcy.

Last year, for example, the Bank of Portugal sold 46.2 tonnes of gold in settlement of

a \$300m short-term credit conceded in February 1977 by the U.S. stabilisation fund. It is officially estimated here that between March 31, 1977, and February 28, 1978, Portugal's gold reserves fell from 857 tonnes to 741 tonnes, and of this only 61.4 per cent is now "free" gold. During the same period, foreign currency reserves fell from \$260m to \$111m.

Although there has been no official announcement confirming next month's trip to the U.S., Dr. Constancia said, in an interview with Portuguese television at the weekend, that the agreement reached recently with the IMF would create new openings on the international financial market and will give a new credibility

to the Government's economic programme.

Dr. Constancia was speaking following the publication in its entirety of Portugal's letter of intent, requesting a \$50m standby loan from the IMF and setting out as its main target the reduction of the country's balance of payments deficit from \$1.5bn to \$1bn by March next year. This would be achieved through a stabilisation programme based on tight control of the money supply, stiff budgetary discipline, firm wages and prices policy, and a gradual loosening of trade restrictions.

Acceptance of these conditions by the IMF on June 5 will automatically release remaining credit lines from a group of industrialised

countries who last year pledged a \$730m medium-term loan to help finance Portugal's balance of payments deficit.

Some \$270.8m of this is estimated to have been drawn already.

The measures set out in the letter of intent include a 5 per cent increase in the Bank of Portugal's lending rate, a 6.5 per cent devaluation of the escudo against a basket of the world's 14 major currencies, and sharp increases in direct and indirect taxation announced in the budget in April.

According to the Government, these measures will be sufficient to reduce the expansion of domestic credit and borrowing by the public sector during the next few months.

# Buoyant time for Western production and sales

BY ROY HODSON

ALMOST ALL the steelmakers of the Western world have improved production and sales in recent weeks. New international figures show the most buoyant period for steel trading for more than a year.

Although the world steel industry is still deep in recession, and many companies consider their trading to be at crisis levels, the new improvement is being seen as the first signs of a return to orderly markets.

Credit is being given to two factors: a general quickening of activity in the international economy, and the various measures taken to stabilise steel markets, including the Davignon plan for the EEC and the United States defensive system.

The International Iron and Steel Institute (IISI) reported production in 29 member countries (almost all the Western world steelmakers) rose 1.5 per cent between March and April and showed a 9.2 per cent improvement upon the same period in 1977.

IISI countries produced 39,297,000 tonnes in April compared with 36,330,000 tonnes in April last year.

The underlying upward trend in steel production and demand is also illustrated by the figures for the first four months of the year. Crude steel output in IISI countries at 148,776,000 tonnes was 3.1 per cent above the same period a year ago.

# Sharp drop in orders for West Germany

BY ADRIAN DICKS

BONN, May 22

NEW ORDERS for rolled steel products received by the West German steel industry dropped back sharply in April in just under 1.7m tonnes, following the jump from 1.8m tonnes in February to 2m tonnes in March.

The April figures, although naturally a little disappointing to those who had hoped to see a more lasting improvement in the industry's sales outlook, were not unexpected. Orders from third countries, mainly thought to be the U.S., fell back to the February level, apparently confirming that their rise in March reflected speculative American buying.

However, there was also a fall of some 150,000 tonnes in domestic orders to 991,000 tonnes, which appears to confirm impressions from other indicators that West German business continues to take a cautious view of its sales prospects.

The April steel figures leave an average of monthly new orders of 1.85m tonnes for the first four months of 1978—virtually unchanged from the same period a year previously.

# Officers denounced

A leading Portuguese centre-right politician yesterday accused members of the Military Council of the Revolution of attempting to prolong the role of the military in Portugal's affairs. Reuter reports from Lisbon.

The Council, a constitutional watchdog, is due to disappear in 1980. Dr. Francisco Sa Carneiro, founder of the Social Democratic Party, told a rally that the officers were grouping behind the President, General Eanes, in an attempt to exercise "presidential militarism."

# Catalan farmers boycott elections

By David Gardner

BARCELONA, May 22

THE UNIO DE PAGESOS, the Catalan small farmers' union which began March's national strikes to press for price increases on staple agricultural produce, has won an important victory following a mass boycott of yesterday's elections to the Camaras Agrarias, or Agricultural Chambers, the system of farmers' representation favoured by the Government.

According to Unio sources, 79 per cent of nearly 100,000 Catalan farmers did not turn out to vote in the first democratic election to be held in the Spanish countryside, instead many signed petitions calling for the full restoration of an autonomous Catalan Ministry of Agriculture. Provisional figures also show that more than half the farmers of Galicia and the Basque country, the other main areas where strong independent and nationalist-orientated unions have sprung up, also abstained.

The election, affecting more than 2m farmers throughout the country, involved landowners but not farm workers. This has led several farmers' unions to compare the present Camaras to the co-operative chambers which operated under Franco. Not long before the former dictator's death, a leading figure in the Francoist Camaras claimed that his power was greater than the Interior Ministry's because of the number of people he controlled.

The Catalan Pagesos are calling for industrial workers to be treated the same as the Francoist unions which have generally been supplanted by the democratic trade unions, elected in factory council elections. Along with its national federation, the COAG, the Union has denounced the fact that an absentee landlord has a vote while an agricultural worker does not.

The elections had already been postponed for six weeks following complaints about the census. Such poor support for the Camaras will not make consensus easy on the solution necessary for Spanish agriculture's most pressing problem.



The Queen with West German President Walter Scheel in Bonn: The Queen began a five-day visit to West Germany yesterday with security arrangements kept to a minimum at her request. Officials said that the Queen did not want to be screened from the public by big police cordons. Several thousand cheering people lined the route from the airport as the Queen and her husband, the Duke of Edinburgh, drove past in a glass-topped Rolls-Royce. The reception was described as warm but low-key.

# U.S.-W. GERMAN ARMS ACCORD Vehicle deal may help AWACS

BY JONATHAN CARR

BONN, May 22

THE U.S. has just taken a firm step towards fulfilling its pledge of a "two-way street" with West Germany in purchases of defence material.

Defence Ministry sources say the two Governments last week signed an accord under which the Americans agreed to buy German transport vehicles to equip their army and air force units in Europe.

A total purchase of around 8,500 vehicles is envisaged—an order likely to be worth more than DM 200m. The Americans will now approach individual German firms to make their orders, receiving technical help and advice from German Defence Ministry experts.

The size of the order is significant in itself. But it is more important in view of the continuing reservations of some parliamentarians about German participation in the expensive American-designed Airborne Warning and Control System (AWACS) for NATO.

During the visit here last month of Mr. Harold Brown, the American Defence Secretary, last September, says West German Defence Minister, Herr Hans Apel, the many will "hardly be able" to achieve the Government's target of the weak dollar still to be felt made it clear he supported

AWACS on military grounds. But he also said that to finance its contribution to AWACS, Bonn would have to cut from the defence budget items already decided upon. This was feasible only if the Americans placed new orders in Germany to generate business and create jobs.

The Germans now say that at the NATO meeting in Brussels last week it was agreed that the main AWACS base should be in West Germany (near the Belgian border), thereby creating several hundred extra jobs in the area.

Further, the Americans were ready to give orders to the electronics and other sectors of German industry directly in connection with the AWACS project. The intention was to cover by such orders close to a half of the estimated German contribution to AWACS of DM1.6bn.

The new vehicles accord is in addition to this. A further project under consideration is for renovation of the American forces telephone network here by German firms—an order which would also be worth about DM200m.

The upshot is that when Herr Apel appears before the appropriate parliamentary committees after the summer break, he will be able to produce some firm evidence that the Americans have done their best to meet German conditions over AWACS.

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# Growth target difficulty

BY LESLIE COLITT

BERLIN, May 22

THE NEW president of the per cent. The Government itself, from (BDI), Herr Nikolaus Fasolt, who succeeds the late Hanns Martin Schleyer, murdered by terrorists last September, says West Germany will "hardly be able" to achieve the Government's target of growth rate for this year of 3.5 by German exporters.

# Italian rail strike threatened over pay

ROME, May 22

ITALY'S main railway workers' unions today threatened to start a 24-hour strike on Tuesday night to back demands for higher pay, officials said.

The strike by 200,000 railwaymen would bring the country's train services to a standstill. A smaller railway union, with 15,000 members, has threatened a go-slow from May 25-31 in support of similar pay demands.

Other unions, negotiating new annual pay contracts, have threatened strike action in Italy this week. They include telephone and electrical power workers.

The 70,000 telephone workers say they will walk out for four hours on Tuesday and the power workers have threatened to stage wildcat stoppages.

Italy's Public Prosecutor today formally charged a Rome newspaper with violating an order against publication of a communique issued in the name of the Red Brigades urban guerrillas.

The Prosecutor's office said court proceedings would be brought against the editor of 11 Messaggero which defied the order and printed an account of the communique on Sunday. If found guilty, 11 Messaggero editor Luigi Fossati faces up to three months in prison and a fine of L100,000.

Saturday's communique, purporting to come from the Red Brigades, said the murder on May 9 of former premier Aldo Moro was only the beginning of a systematic campaign to destroy the state.

The brigades killed Sig. Moro after holding him hostage for 54 days.

A state prosecutor ordered a black-out on Saturday's communique which appeared to contain coded instructions for Brigades gunmen.

Reuter

The Prosecutor's office said court proceedings would be brought against the editor of 11 Messaggero which defied the order and printed an account of the communique on Sunday. If found guilty, 11 Messaggero editor Luigi Fossati faces up to three months in prison and a fine of L100,000.

Saturday's communique, purporting to come from the Red Brigades, said the murder on May 9 of former premier Aldo Moro was only the beginning of a systematic campaign to destroy the state.

The brigades killed Sig. Moro after holding him hostage for 54 days.

A state prosecutor ordered a black-out on Saturday's communique which appeared to contain coded instructions for Brigades gunmen.

Reuter

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# DOES THE IRISH GOVERNMENT'S POSITIVE ATTITUDE TO FREE ENTERPRISE CHANGE WITH THE PARTY IN POWER?

Since Ireland's planned industrial revolution was initiated in 1950, all three parliamentary parties have held office.

There was no break in the continuity of Ireland's industrial progress; no break in the rapid expansion of her industrial export trade.

The agreed all-party policy of advancing the economy through the active encouragement of her enterprise has been rigorously adhered to.

There has been no diminution in the level of cash grants to private industry.

There has been no discrimination between domestic and overseas companies wishing to expand in Ireland.

No party has ever suggested rescinding the concession which exempts exporting industries from profits tax.

No companies were nationalised—or even threatened with nationalisation.

During the 8 years since its introduction, the National Wage Agreement has been consistently adhered to and re-affirmed.

And Irish Government policy has the continuous and unstinted backing of the Irish trade unions—irrespective of the party in power.



# INDUSTRIAL IRELAND - COME AND SEE HOW IT WORKS.

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Confidential: To Hugh Alston, Director, IDA Ireland, 28 Bruton Street, London W1X 7DB. Telephone 01-499-6155. Telex 051-24751.

Please telephone me with a view to discussing an investment package to suit my company and a familiarisation trip to Ireland.

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## OVERSEAS NEWS

## Sadat wins large majority in national referendum

BY ROGER MATTHEWS

PRESIDENT ANWAR SADAT scored the huge victory he had anticipated in yesterday's referendum on possible measures to be taken against the Government's more vocal critics.

The official results announced this morning showed that 98.29 per cent had voted "yes" to the Government measures, only marginally fewer than the 99.42 per cent achieved in last year's referendum following the January food price riots.

The Interior Minister, General Nabawi Ismail, stated that the results showed that the Egyptian masses had said "yes to sound democracy, responsible freedom and honest opposition. Nearly 9.4m people are officially said to have cast their votes during the nine hours that the polling stations were open, a remarkable achievement in independence and the referendum and the resulting measures should be left in reserve, conditional on a more "responsible" attitude from the opposition political forces.

The "principles" on which the electorate was asked to decide are now forwarded to the People's Assembly (Parliament) where they will be translated into legislation. Broadly this should give the Socialist Party, together with a number of other Government critics, a considerable scope to move against alleged Communists, and other Government critics.

Those expected to be most affected are the leaderships of the New Wafd party and the left-wing Unionist Progressive Party, together with a number of journalists who have particularly incurred the President's wrath.

However, Mr. Sadat still has considerable scope for manoeuvre and could decide, as he has done in the past, that the referendum and the resulting measures should be left in reserve, conditional on a more "responsible" attitude from the opposition political forces.

● Hassan Hijazi adds from Beirut: High-level contacts are under way to place restrictions on Palestinian guerrillas in Lebanon and stop them from returning to the border area with Israel. The contacts gained momentum after Israel announced on Sunday that it would pull its forces from the south completely by June 13.

Mr. Fuad Butros, Lebanon's Foreign and Defence Minister, held talks in Damascus today with Syrian leaders on what role Syrian troops in Lebanon can play in the matter. These troops, totalling about 30,000, constitute the bulk of the Arab peace-keeping force here. The Palestine Liberation Organisation has formed a delegation under its chairman, Mr. Yassir Arafat, to initiate talks with the Lebanese Government this week. Dr. Selim al-Hoss, the Prime Minister, will head the Lebanese side.

Editorial comment, Page 22

## West Bank residents fear land take-over

By David Lennon

TEL AVIV, May 22

THE PLAN to build six Jewish urban centres on the West Bank has fuelled fears among the residents of the occupied territory that Israel plans to take over tens of thousands of acres of land belonging to former residents.

West Bank residents have complained in recent weeks that the Government has changed its policy towards the property of West Bankers now living abroad. They suspect that the Custodian of Absentee Property is planning to take over the land and property of emigrants living in Europe and the Americas.

Under Israeli law the property of Arabs not resident on the West Bank when it was occupied in 1967 is considered to have been abandoned. If the emigrant lives in an Arab country his property was liable to be taken over because he was in an "enemy country". But if he lived elsewhere abroad a power of attorney was generally accepted by the Israeli authorities.

Editorial comment, Page 22

## AMERICAN NEWS

## Peru 'has little hope' of restructuring foreign debt

BY DAVID LASCELLES

NEW YORK, May 22

PERU sent its leading financial officials to New York today to negotiate relief on its multi-billion dollar foreign debt, but the prospects of even limited success were thought to be dim.

The officials, led by the new head of the Peruvian Central Bank, Dr. Manuel Moreyra, travelled shortly after the President, General Francisco Morales Bermudez, made a national television address, in which he said that the country wanted a major restructuring of its foreign debt. The aim, he said, was to bring debt service payments

down to 20-25 per cent of the annual national foreign exchange income.

Peru's current estimated debt (one of the largest per capita debts in the world) is put at \$4.4bn. It will require some \$1bn, or 55 per cent of income from exports, to service this year. By 1980, debt service could, it is estimated, eat up more than two-thirds of foreign exchange earnings by Peru.

Of Peru's debt, the largest single portion (\$724m) is owed to U.S. banks. But large amounts are also owed to Japanese and

European banks, and to international agencies. U.S. banks with big exposures include Citicorp, Bank of America, Manufacturers Hanover and Chase Manhattan at \$600-100m each.

A spokesman for Manufacturers Hanover, which heads the steering committee of U.S. creditor banks, said he had no comment to make today about the prospects for the talks this week. However, it is evident from comment in financial circles here that Peru will have a tough time at the conference table.

The main stumbling block is the failure of the military government in Lima to square its position with the International Monetary Fund, which has refused to permit the country to draw the second tranche of a stand-by credit negotiated earlier. The reason is that, in the IMF's view, the government has not fully implemented the austerity programme which it had earlier agreed to implement.

## Lima paralysed by strike

BY NICHOLAS ASHESHOV

LIMA, May 22

A GENERAL strike called for 48 hours by Communist and Left-wing unions in protest against recent wage cuts and petrol price rises virtually closed normal commercial and industrial activities in the Peruvian capital today.

Strikers and sympathisers in the industrial zones and the extensive shantytowns which surround the city were blocking main roads and often stoning cars and lorries which tried to get through. No public transport was operating, except for a few buses in the wealthier, safer parts of the city.

By the end of the morning, it was clear that the military government's efforts to guarantee normal services had failed, but there were no immediate reports of serious clashes between strikers and police.

The whole country has been under martial law since Friday night. An extensive police swoop on left-wing politicians and "agitators" in Lima and the

main provincial cities began on Friday.

Throughout yesterday army vehicles rumbled through the poorer zones of the city in an effort to convince people that the strike would be controlled and that attempts at violence would be met firmly. However, by the end of the morning, few reports were seen and armoured patrols made little effort to deal with blockades in the streets.

The success of the strike, despite Government attempts to stop it, is being taken by bankers and politicians as a serious threat to attempts by the President, Francisco Morales Bermudez, to enforce a fiscal stabilisation programme.

At this early stage, it would also seem to make the holding of elections on schedule even more problematic. The elections, for a constitutional assembly, were originally due to be held on June 4th, but last week were postponed for a fortnight. But now many of the people standing for election are in detention.

## Carter seeks UK air concession

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, May 22

THE U.S. and Britain appear to be heading for another tough round of bargaining on transatlantic aviation, as a result of the direct personal appeal by President Carter to Mr. James Callaghan, the British Prime Minister, last week concerning flights from London to Boston.

The Bermuda II agreement last year stipulated that two

carriers from each country could serve two U.S. cities from London. New York was designated as one, while it was left to the U.S. to decide whether Los Angeles or Boston would be the second.

The Civil Aeronautics Board has tentatively recommended that Los Angeles be granted the privilege. But this has presented

the President with a political problem, since it would mean that either Pan-American Airways or Trans-World Airways would have to give up its Boston service, with a consequent loss of jobs at Boston airport.

So, last Tuesday, Mr. Carter sent a "Dear Jim" letter to Mr. Callaghan, saying that he proposed that all three cities be granted double designation. The President noted that, under Bermuda II, Britain was not obliged to accept this, but added: "I hope you will not take this step and thereby limit our designations to two cities. We would in return be prepared to make comparable new competitive opportunities available to your airlines."

Mr. Callaghan is understood to have replied at the end of last week. It is thought probable that he agreed to enter negotiations on the subject. Such talks, however, are unlikely to be straightforward. British Airways, which flies to Boston, may lose as much as \$5m a year in revenues which it reckoned to gain if it up against only one U.S. carrier on the Boston run.

## U.S. COMPANY NEWS

Chrysler raising \$150m by stock issue; Inland Container holders cool on talks bid; New York REIT in time with banks—Page 29.

## OPEC to discuss oil income

VIENNA, May 22

FINANCE ministers of oil-exporting countries, worried by revenue losses due to the decline in the value of the U.S. dollar, will meet here tomorrow to examine ways to stabilise their income.

A spokesman for the 13-nation Organisation of Petroleum Exporting Countries (OPEC) said the ministers would discuss a series of reports on the international monetary situation and plans for closer economic collaboration among the 13 member states.

The Ministers will meet formally in Geneva next month to discuss an interim oil price increase this year. But the major producers—namely Saudi Arabia and Iran—have already indicated they want to hold the price at \$12.70 a barrel for at least the rest of this year.

OPEC member states have reduced their oil output by 20 per cent to help shrink a huge surplus on the world oil market, according to the Kuwaiti Oil Minister, Sheikh Ali Khalifa al-Sabah.

Dr. Mana Saeed al-Oteibi, Oil Minister of the United Arab Emirates, has said that Abu Dhabi might be forced to reduce oil production by between 3.5 per cent and 7 per cent in 1979. Agencies

## Move on multinationals seen as 'impracticable'

BY ARNOLD KRANSDOFF

VIENNA, May 22

A SPECIAL adviser to the UN Commission on Transnational Corporations, which is holding its annual conference here, has described as "impracticable" the move by the Group of 77 developing countries to table a motion that action should be taken to stop the activities of multi-national companies in Southern Africa.

In an interview with the Financial Times, Herr Gerhard Tackels, a former chairman of Siemens, which has sizeable South African interests, said there was no ready answer to the activities of multi-nationals in South Africa. He doubted if apartheid would be weakened if multi-nationals withdrew.

"We will not achieve very much with abrupt action," he said. "White South Africans would react very emphatically, and it was likely that the liberal forces within the country would be weakened."

"In any event, we as multi-nationals don't want to be used as tools—why should we be used to implement political ideals?"

The conference has heard African and other Third World delegates alleging that multi-nationals in Southern Africa continue to sustain and support the regimes in the area. In effect, they were actual partners in maintaining the system of racial discrimination and apartheid.

Dr. J. M. Goudswaard, vice-chairman of Unilever, has called for safeguards regarding the proposed UN database on multi-nationals.

The UN's Centre on Transnational Corporations is proposing a comprehensive system of information related to the needs of host countries in particular, developing countries, to strengthen their capacity to deal with multinational firms.

In a conference paper, Mr. Goudswaard, who is a special adviser to the commission, says a number of parties would have to be protected against any failure of the system. They would include recipient Governments, from acting on unreliable and incomplete information, and individual multi-nationals from damaging their business interests.

Information, he says, should be disseminated only to governments. The centre should not be allowed to disseminate information about individual multi-nationals, unless those multi-nationals had an opportunity to check the reliability of data and to comment on non-numerical data.

## Brzezinski finishes China talks

By John Hoffmann

PEKING, May 22

PRESIDENT CARTER'S National Security Adviser, Mr. Zbigniew Brzezinski, leaves China tomorrow after three days of talks in which both countries affirmed their desire for normal relations.

However, it is believed that so far the talks have skirted the main obstacle to a full diplomatic relationship between the two countries on disagreement over Korean unification and the U.S. recognition of Taiwan. Mr. Brzezinski spent this morning sightseeing at the Great Wall of China before returning to Peking for the final

round of talks. In earlier talks with vice-chairman Teng Shiao Ping and Mr. Huang Hua, the Foreign Minister, Mr. Brzezinski has agreed with China on a number of "global issues". The New China News Agency reported that a two and a half hour discussion with Mr. Teng yesterday was "serious and frank."

In a change of greetings with the Foreign Minister Mr. Huang at a banquet in Peking, Mr. Brzezinski spoke of the U.S. commitment to friendship with China. Tactfully ignoring China's frequent criticisms of the U.S. as a superpower engaged in dangerous competition with the Soviet Union, he said, "we recognise and share China's resolve to resist the efforts of any nation which seeks to establish global or regional hegemony."

Mr. Brzezinski made it clear however that the U.S. had a strong responsibility to be active abroad.

Mr. Brzezinski said the U.S. had made up its mind on the issue of friendship with China. "The President of the U.S. is determined to join you in overcoming the remaining obstacles in the way of full normalisation of our relations."

South Africa's secret service, the Bureau for Information Security (BOSS), is to come under the law for the first time it was announced today.

Mr. Alwyn Schlebusch, Minister of the Interior, told Parliament that he would introduce a Bill to regulate the organisation and control of the bureau. No details have been published.

Police said today that 14 people were injured slightly and 19 arrests were made last night when police used teargas to quell a riot among black workers at a gold mine 123 miles south of Johannesburg. The trouble began with a complaint about canned food.

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## BOSS will be brought within the law

CAPE TOWN, May 22

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## ZAIRE: AFTERMATH OF THE KOLWEZI MASSACRE

## French troops comb the bush for rebels

BY DAVID BUCHAN

KOLWEZI, May 22

BELGIAN PARATROOPS were rapidly pulling out of the battered mining town today after airlifting to safety more than 2,000 white survivors of the bloody insurrection by anti-Government rebels.

But French Foreign Legion troops, who dropped into Kolwezi last week in a controversial rescue operation, remained behind, combing the town and the dense bush surrounding it for remnants of the rebel force, who were believed to have taken 12 whites with them.

The invasion has confronted President Mobutu Sese Seko with the threat of economic disaster and political uncertainty. Belgian and French officers said the FNLC (Congo National Liberation Front) rebels had had success among the predominantly black population of the key mining town. The officers expressed fears that the rebels would gain rise against President Mobutu from bush hideouts if the French also withdrew.

Black residents of Kolwezi began fleeing back into town today, pushing their way past black and white corpses on streets reeking of human putrefaction under the tropical sun. Colonel Philippe Erlain, commander of the battle-hardened French troops, told reporters that 300 rebels had been killed as the first wave of 400 to 600 paratroopers dropped on the town last Friday.

He put his own losses at two men dead and nine wounded and said it had been confirmed that 70 whites were killed during the eight-day insurrection. Other Western military sources have put the white death toll at 100 to 130.

The mission has seen little, if any, co-ordination between the French and Belgian troops. Belgian officers yesterday accused the Legionnaires of killing six fleeing whites. But Colonel Erlain indignantly denied this charge today. "It is shameful," he said. "Our behaviour is exemplary."

Legion forces patrolled Kolwezi on foot and by Jeep today, firing out at road junctions and taking up positions as they moved through the town and its outskirts in their search for rebels.

The French shot off the locks of houses temporarily abandoned by their owners and in some discovered arms caches. The last four Belgians to leave Kolwezi, four middle-aged men, packed up today, writing off the town as a total wreck without water, power, sanitation or food.

The extent of the rebels' persistence and preparation has surprised correspondents.

Reuter

African cockpit, Page 22

Copper fears, Page 29

## Controversy over rescue operation continues

BRUSSELS, May 22

THE NUMBER of white refugees to arrive in Brussels reached 1,902 tonight, as the political controversy about the French and Belgian rescue operations grew.

Mr. Leo Tindemans, Belgium's Prime Minister, today thanked President Giscard d'Estaing for the speed of the French reaction while the Zaire news agency Azap accused Mr. Henri Simonet, the Belgian Foreign Minister, of delaying President Mobutu's request for help for 24 hours while Belgians were being killed in Kolwezi.

Mr. Tindemans, in a parliamentary statement, warmly welcomed by worried MPs, said this afternoon that in the period of 72 hours ending tomorrow at 6 a.m. which the Government had fixed for the Belgian operation, almost all expatriates still alive have been evacuated from Kolwezi.

The number of people who have left the southern Zaire town is put at 2,155. But an unknown number of Belgians and other Europeans are still missing, and the Cabinet decided tonight to leave one battalion of troops in Katanga province, north of Kolwezi, until the end of the "period of uncertainty."

Mr. Tindemans said today that Belgian troops were authorised to pursue rebels taking white hostages with them. But so far

officials here say Belgian troops have left to the French any hot pursuit of the rebels outside Kolwezi.

A spokesman for the Congolese National Liberation Front (FNLC) claimed in Brussels today that his movement's forces still held Mutsaers and Kolver. He denied that the FNLC had killed any whites, and said: "It is Mobutu who needs hostages to protect himself from the rebels. The Zaire embassy here today accused those who spread such stories 'of bad faith and gross lies'."

The predominant reaction here has been that Belgian troops were too late in arriving at Kolwezi on Friday night. Mr. Tindemans sought to allay these charges by telling Parliament that Belgium had at first good reason to try indirect appeals to the Red Cross, the UN Secretary-General, and the Organisation of African Unity. Once a military operation was decided on, Belgium had to depend on foreign

airlift capacity to get fuel to the Shaba airbase of Kamina.

Only the U.S. could provide this support, and Mr. Tindemans was responsible for much of the delay. The U.S. President took until 3.30 a.m. on Friday to give his assent to the use of U.S. aircraft.

The Foreign Ministry here strongly denied that Mr. Simonet held up President Mobutu's request for help. A Belgian official today described Mr. Mobutu as "an expert at playing off the differences in internal Belgian politics." Mr. Simonet has been under pressure from his own Socialist Party to distance himself from the Mobutu regime.

A further report of chaos in Kolwezi came from M. Dupont who said he saw French troops blow up two armoured cars flying the Zaire flag. A French officer told him afterwards: "No one told us this was a mixed operation. A Zairean in uniform? We shoot!"

advance notice which was given by Mr. Tindemans of the military operation. "Secrecy would have been preferable," Mr. Olivier Stiru, Secretary of State for Foreign Affairs, said in a radio interview today. But he quickly added that basically, there was no disagreement with the Belgians.

French officials privately emphasised that France was obliged to act when it did because of the alarming reports which had reached Paris about the situation in Kolwezi. To have waited for the Belgians to move would have put even more lives in danger.

Officials continue to play down the disagreement with Belgium over the timing and co-ordination of the joint military intervention. They stressed that Mr. Leo Tindemans, the Belgian Prime Minister, had today telephoned President Giscard d'Estaing to thank France for saving the lives of Belgian nationals in Kolwezi.

Muted criticism, however, has been voiced here about the

## U.S. gold auction to be held today

By David Bell

WASHINGTON, May 22

THE U.S. will hold its first gold auction for about three years tomorrow when the U.S. Treasury offers for sale some 300,000 ounces in the first of six planned monthly sales.

The decision to sell gold was announced a month ago as part of a concerted attempt by the Carter Administration to re-establish the stability of the dollar on foreign exchange markets. The amounts of gold to be sold are small, but the Treasury has dropped strong hints that the sales will continue after November, although possibly in a modified form.

Under the terms of the revised articles of agreement which have now come into effect, members of the fund are now allowed to bid for gold but, in a Press release, the IMF noted, "the fund will monitor official gold transactions in the light of the objective of reducing gradually the role of gold in the international monetary system."

It has been suspected since the auctions began that some countries have been buying gold through one or other of the banks which have been participating in the sales. Most observers here do not expect this to change, and it is not considered likely that many countries will emerge as buyers in the next few months.

## Wage Council predicts 7% inflation rate

WASHINGTON, May 22

THE COUNCIL on Wage and Price Stability predicted that the U.S. inflation rate will approach 7 per cent for the year as a whole, and that "price and labour cost increases will moderate substantially during the remainder of the year."

In a report on inflationary developments during the first quarter of 1978, the Council said, "the behaviour of wages and prices in the first quarter of this year... did not mean that inflation is again on the rampage." It went on to blame some of the increases on the coal strike and the effect of winter weather on productivity.

However, the report noted that, in the first quarter, "product prices in many sectors displayed disturbing signs of escalation" and that "several measures of implicit costs registered rates of increase well above the pace of prior years." For example, it said that average hourly earnings and the hourly earnings index rose at rates well above those in 1976 and 1977, and that hourly compensation rose at a record annual rate of 13.2 per cent.

## UN session on disarmament

By Our Own Correspondent

UNITED NATIONS, May 22

MR. ANDREI GROMYKO, the Soviet Foreign Minister, and a large delegation from Moscow today led the stream of diplomats converging on New York for the five-week special session of the United Nations General Assembly on disarmament, which is to open tomorrow afternoon.

Mr. Gromyko and the U.S. Secretary of State, Mr. Cyrus Vance, are to meet here on Wednesday for a new attempt to break the stalemate in negotiations between the two superpowers on arms limitation.

Dr. Kurt Waldheim, the UN Secretary-General, has called the special session, the first to be devoted to disarmament, and the largest and most representative gathering ever convened on this question.

## Dr. K's tough line on detente

By Stewart Fleming

MEXICO CITY, May 22

DR. HENRY KISSINGER said today that what the Soviet Union is doing in Africa and in the Middle East is incompatible with detente. He suggested that the U.S. might need to link East-West trade relations with Soviet restraint on foreign policy behaviour.

Speaking at the International Monetary Conference in Mexico City to the heads of the largest international banks, Dr. Kissinger suggested that the industrial democracies might need to develop a code of conduct for both the type of economic relations and type of political conditions that they wanted to attach



## WORLD TRADE NEWS

# Egypt to seek tenders for \$3bn. telephone project

BY JOHN LLOYD

INVITATIONS TO tender for the first stage of a \$3bn project to upgrade and expand Egypt's telephone network are expected from the Egyptian Government shortly.

International telecommunications companies expect that Egypt will adopt the principal recommendations of the report and study of the country's telephone system, recently completed by the United States company, Continental Telephone International.

The study calls for the immediate investment of about \$3bn, intended first to upgrade the existing system—which is working at only 30 per cent efficiency—then to expand the present total of 370,000 lines to about 1m lines by 1982-83.

From that core, the system would then develop to a network of 4.5m lines (6.7m telephones) over the next 20 years, at an estimated cost of up to \$20bn.

The study recommends that the

new system be fully electronic rather than electro-mechanical as at present.

Engineers from ARETO, Egypt's telephone organisation, are considering the report and no specifications of future contracts have yet been made public. However, it is believed that ARETO and the Government accept that if Cairo is to be made into a key business centre, its chaotic telephone service requires a massive commitment of capital.

The World Bank has approved a \$300m soft loan for telecommunications in Egypt and the Swedish company, L. M. Ericsson, with France and Japan, has advanced credits worth a further \$64m. A second World Bank loan of about \$53m is thought to be in the pipeline, bringing the total to \$137m.

The Egyptians are thought to favour inviting tenders for a joint development between their own telecommunications manu-

facturer, Egyptian Telecommunications Organisation, and a big international company. The outside company would provide much of the initial capital and upgrade the ETO operation from electro-mechanical manufacture to electronic.

ETO manufacturers L. M. Ericsson, electro-mechanical exchanges under licence from the Swedish company, ARETO has commissioned exchanges from the French company, CIT-Alcatel, and from ITT, as well as cable from the UK's IIT subsidiary, STC.

Among companies known to be interested in the Egyptian project are Continental itself (to manage the system) and Western Electric, the giant Bell manufacturing subsidiary which is still looking for a significant break through into the world market.

### Ericsson Libyan deal

L. M. ERICSSON, the Swedish telecommunications group, has won a \$15m order from Libya for telephone equipment. The order covers two computer-controlled transit exchanges of the crossbar type for international traffic. William Dullforce writes from Stockholm.

This is the first order Ericsson has received for this kind of exchange from Libya and includes the training of local technical staff.

## Hong Kong overseas business up

Hong Kong's domestic exports, at \$257m, were up by 16.1 per cent over April 1977. Imports over the period were up 19.8 per cent to \$582m and re-exports were up by 39.2 per cent to \$118m.

For January to April 1978, domestic exports rose by 8.6 per cent over the same period in 1977 to \$1.3bn. Imports, at \$2.1bn and re-exports at \$229m, were also up by 18 per cent and 22.3 per cent respectively. For the 12 months, May 1977 to April 1978, domestic exports rose by 7.3 per cent to \$1.2bn over May 1976 to April 1977. Imports rose by 13.4 per cent to \$6bn and re-exports, at \$1.2bn, rose by 14.8 per cent.

### Allen wins \$3m deal

Hong Kong's Public Works Department has signed two contracts to a combined value of HK\$37.5m (more than \$3m) with APE-Allen, of Bedford, for supplying and installing pumps and diesel generating plant for the Shatin New Town sewage treatment project.

Four 700 mm Allen Gwynnes mixed-flow volute pumps are to deliver to the treatment works raw sewage from two districts of Hong Kong. Electrical power is to be provided by four generating sets driven by nine-cylinder Allen engines. APE-Allen is also to supply and install all ancillary equipment and control panels for the pump and generating sets, which are scheduled for delivery early next year.

## Japan's trade down at Canton

BY DOUGLAS RAMSEY

JAPANESE BUSINESSMEN returning from the Canton spring fair have reported far less business than usual, confirming the view that China will make fewer deals at trade fairs after the signing last winter of a \$20bn agreement with Japan.

Contracts for about \$120m worth of exports and \$180m worth of imports were concluded at the month-long fair by many of the 2,000 Japanese companies participating.

The downturn does not reflect, however, the much larger volume of business being contracted by Japanese steel and other industries under the eight-year bilateral agreement.

Without charting the precise decline in orders from the past two fairs, Japan's leading trade representative told reporters on his return to Tokyo today that the poorer showing resulted from the rise in the yen's value, shortages of some export commodities offered by China, and strong competition from American and European companies at the fair.

Mr. Toshio Oshikawa, managing director of the Association for the Promotion of International Trade, noted that European companies proved especially strong in the competition to sell synthetic textiles, notably polyester, to the Chinese.

The estimated \$20bn worth of deliveries under the Japan-China agreement will hinge on provisions to finance the transactions. In that connection, 13 officials from the Bank of China were to arrive in Tokyo this evening for a three-week visit to establish

guidelines for credit and other instruments to finance trade. The visit coincides with the announcement last weekend that Hitachi has won another computer contract in Peking, although for smaller hardware than the two large machines recently delivered to China after approval by Cocom in Paris.

Hitachi said today that it will petition Cocom, the Western organisation that processes requests to sell "strategic" materials to Communist countries, to approve the latest order placed with Hitachi.

© Tadano, a leading manufacturer of hydraulic truck cranes, has won a ¥2.8bn order from China for 180 hydraulic truck cranes. AP-DJ reports from Tokyo. Shipments will be made from October to next March with payment in yen.

### Singapore hospital

Hospital Corporation of America has received a five-year contract to manage a 516-bed medical complex in Singapore, AP-DJ reports from Nashville, Tennessee. The complex is scheduled to open next year and the company will begin consulting work this month.

## Import loan scheme starts

TOKYO, May 22.

THE new scheme to extend import projects worth \$824m. They include a \$256m loan sought by major Japanese steel companies for stockpiling of pelletised iron ore, a \$230m loan by leasing companies for purchase of aircraft for leasing overseas airlines and a \$70m loan by the non-ferrous metal industry for stockpiling of nickel ore.

The introduction of the scheme was adopted by an economic Cabinet Ministers meeting on April 23 as one of the most effective measures to reduce Japan's huge balance of payments surplus.

The Export-Import Bank said it is studying requests for the application of the scheme to five

import projects worth \$824m. They include a \$256m loan sought by major Japanese steel companies for stockpiling of pelletised iron ore, a \$230m loan by leasing companies for purchase of aircraft for leasing overseas airlines and a \$70m loan by the non-ferrous metal industry for stockpiling of nickel ore.

The introduction of the scheme was adopted by an economic Cabinet Ministers meeting on April 23 as one of the most effective measures to reduce Japan's huge balance of payments surplus.

## Machine tool orders rise likely in West Europe

BY JOHN WICKS

ZURICH, May 22.

NEW-ORDER volume in the European machine-tool industry is expected to rise by some 7 per cent, in terms of current prices, in the first half of this year. According to the European Machine-Tool Industry Co-operation Committee (Cecim), production for 1978 as a whole should be higher than last year's.

Recovery, the committee says in a statement after its spring conference in Switzerland, would have been much more marked if world investments in capital goods were not subject to so much caution.

The committee expresses concern at "serious competition" from East European states and certain developing countries, as well as at the wage and price inflation in many West European markets and the "unstable and unbalanced monetary situation."

Often, excessively restrictive safety regulations are seen as an obstacle to trade in machine tools.

The labour force in the European machine-tool industry has been declining since 1973, according to the committee's communiqué. The reduction of employees had been 4 per cent in the UK, 6 per cent in Switzer-

land, 13 per cent in West Germany and 20 per cent in France.

Export orders for the Swiss machine-building industry have fallen sharply in the first months of this year. The Association of Swiss Machine Builders reports that new export orders received in the first quarter by 200 selected member companies were 20 per cent down on the level for the preceding three months. Despite a slight increase in domestic orders, the overall contract sum of SwFr3.1bn was 7 per cent below the 1977 quarterly average.

Turnover of the 200 companies, of SwFr2.9bn for the period, was at the lowest point for two years. Although work on hand has risen to an average of 7.5 months' production for the industry, that has been due in part to companies manufacturing for stock and without corresponding orders on their books in order to keep up employment and use capacity.

Work on hand for textile machinery builders remained very low at 4.7 months' output, with no sign of change in trend, while that of steelworks, rolling mills and ferrous constructions is also running very low.

## ASEAN fair \$40m sales

BY OUR OWN CORRESPONDENT

MANILA, May 22.

THE Association of South East Asian Nations (ASEAN) ended its first trade fair here on Sunday with organisers reporting transactions worth \$40m concluded or about to be so.

Philippine Trade Secretary Treadin Quizon, chairman of the fair's executive committee, said the sealed contracts were worth \$8m and only minor formalities were needed to seal contracts covering goods worth a further \$20m. Processed food items accounted for actual sales worth \$5m, while metal products, textiles and garments, handicrafts and agro-industrial equipment accounted for \$25m. Saudi

Arabia had closed or was about to seal purchases worth \$6.2m, mostly processed foods.

Mr. Quizon said the U.S. was ready to close deals worth nearly \$5m. Business with Singapore would be worth \$3.4m, Australia \$3.2m, Austria \$1.5m, and Malaysia \$1.2m.

A quarter of a million people, including 3,000 prospective buyers from 50 countries outside ASEAN, visited the fair, which also featured automotive parts and components, electronic and electrical equipment, chemicals, rubber-based products, pulp and paper, iron and steel, construction materials and communication equipment.

## Pakistan exports off target

BY IQBAL MIRZA

KARACHI, May 22.

PAKISTAN'S EXPORTS during the first ten months of the current fiscal year were 10 per cent less than the target, but the pace of exports during the past two months indicates that the revised target of \$1.24bn for the current year may be achieved. Report by the Export Promotion Bureau on trends during the current fiscal year said that prospective earnings for the period July-April 1977-78 amounted to \$960m compared with \$886m the corresponding period last year, an increase of 12 per cent.

Monetizing three-day conference in Pakistan's trade in balance and export earnings. Mr. Anwar Gokal, adviser to the chief Martial Law Administrator, said in Karachi that a proper system will have to be evolved for the foreign exchange earnings netted through workers' remittances from abroad. While the sharp increase in workers' remittances has been a welcome relief for Pakistan's balance of payments, it has coincided with a large-scale exodus of skilled manpower.

Mr. Gokal said the traditional sources of invisible earnings have been stagnant around \$300m for the past few years and constitute half Pakistan's total visible payments. He named the main items as transportation, travel, investment income, government and miscellaneous services. Earnings under freight and insurance are nominal.

Mr. Gokal added that the diverse trends in Pakistan's exports and imports have given rise to an increasing trade imbalance. The trade deficit increased sevenfold, from \$208m in 1972-73 to \$1.5bn during 1976-1977. Although during the past few years the performance of the economy has been disappointing, it has a potential for growth and its development might be accelerated, he said.

In 1972-73 Pakistan's exports constituted 14.04 per cent of the gross national product. In 1977 that share had declined to 8.55 per cent. Rice, cotton and cotton products continue to dominate merchandise exports.

## Aircraft financing agreed

BY OUR OWN CORRESPONDENT

KARACHI, May 22.

THE U.S. Export-Import Bank has agreed to finance the entire \$80m required by Pakistan International Airlines (PIA) to purchase a Boeing 747 informed sources said here today.

The aircraft is expected to be delivered by July 1979. PIA has also decided to buy the two Boeing 747s which it currently has on lease from Transportes Aereos Portugueses (TAP). This decision has been taken in view of the profits earned through the leasing by PIA amounting to nearly \$40m. Air Marshal Nur Khan, chairman of PIA who initiated the lease of Boeing 747s from TAP, is confident that the agreement for the purchase of the two leased Boeings will be finalized soon.

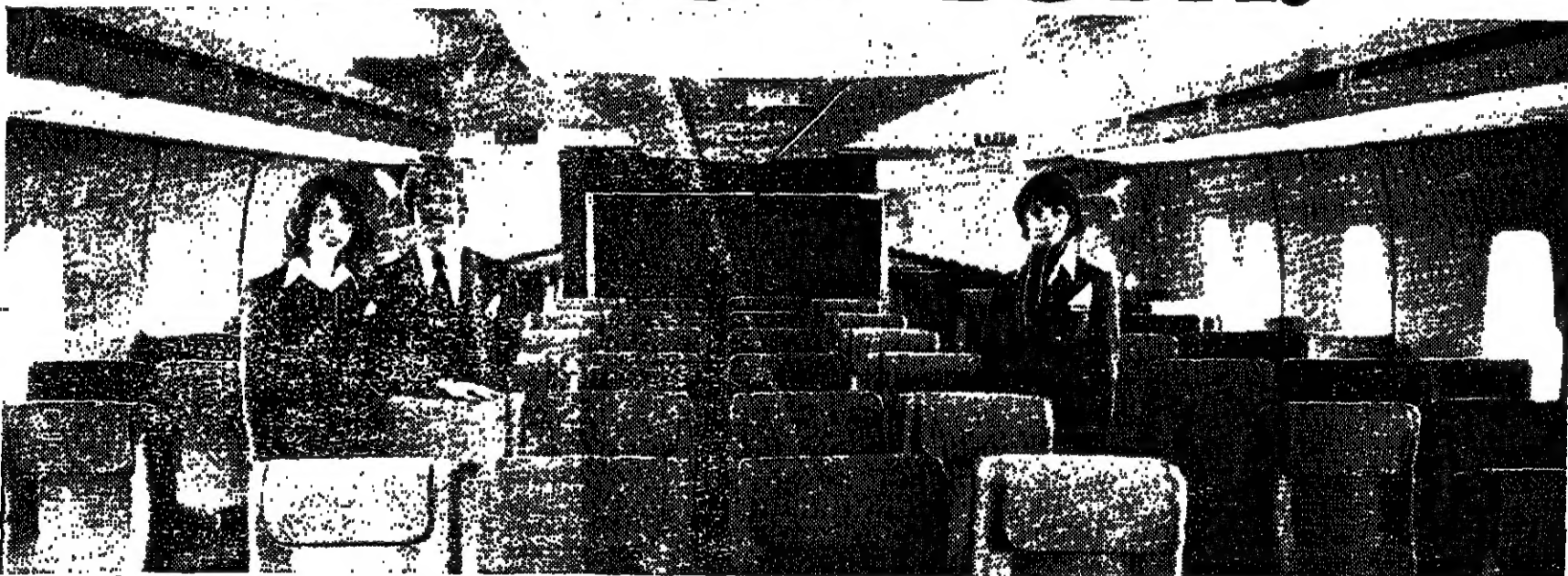
Meanwhile PIA has raised its service frequency to the Gulf countries and India and has introduced a new all-cargo flight service to New York via Europe, the third all-cargo ser-

vice to New York. To meet the rising demand for cargo space PIA has further acquired an all-cargo DC10 aircraft on lease to operate on this route.

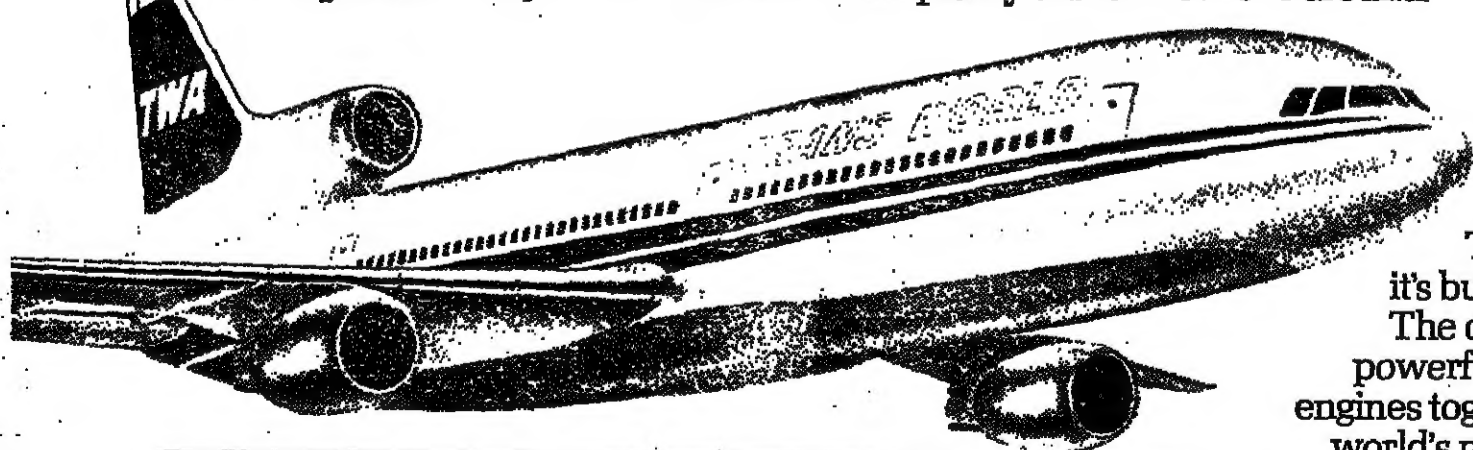
● The Pakistani Government has awarded a \$75m contract to Dillingham Corporation, a diversified construction concern based in Hawaii and its state-owned National Construction Company to install four power-generating units at the great Tarbela Dam project. AP-DJ reports. The four units of 175,000 kilowatts capacity each will be in addition to four hydro-electric generators already at the site. Completion is scheduled by July 1982. Ultimately, 12 generators are planned at Tarbela.

The Asian Development Bank has agreed to finance the \$30m foreign-exchange cost of the latest contract, the Government said.

# Announcing TWA's all wide-body service to New York.



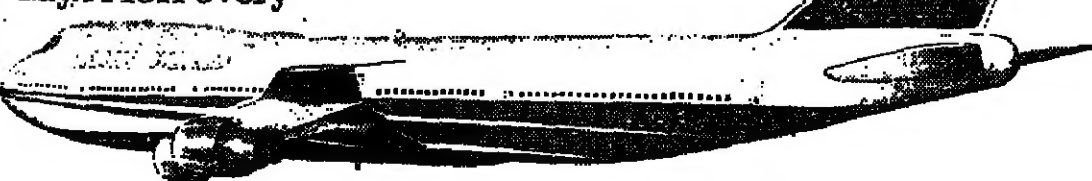
Only TWA gives you a choice of 747s and 1011s to New York. And, whichever wide-body you choose, the emphasis is very much on comfort with plenty of room to move around.



DEPARTS		ARRIVES	
HEATHROW	10.45	KENNEDY	13.20
HEATHROW	12.00	KENNEDY	14.35
HEATHROW	16.00*	KENNEDY	19.00

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Three comfortable wide bodies every day. A 1011 every morning (first flight of the day) a 747 at midday and another 1011 in the afternoon.



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## HOME NEWS

## Meriden deficit tops £1.5m

By Arthur Smith, Midlands Correspondent

MERIDEN MOTORCYCLE Co-operative had a trading loss of £587,564 for the 18 months to September 30 last year, it was announced yesterday.

Interest payments of £669,451, plus charges of £199,157, connected with acquisition of the Triumph motorcycle rights, took the total deficit to more than £1.5m.

The accounts cover the difficult period before the Government rescue negotiated early last year and a six-week shut-down of operations. The financial year was extended by six months to cover the crisis.

Mr. John Nelson, managing director, said last night that the results were largely a reflection of the "traumatic events" of the shut-down.

"Accounts are largely a matter of history. What is happening now is important and we are all very optimistic about the future."

"We have enough orders to last through to Christmas and beyond. It is now a question of producing the bikes to schedule."

**Momentum**

Workers are thought to have been told at a special annual meeting yesterday that the co-operative was not trading profitably in the first half of the current financial year.

But demand for motorcycles was such that a positive cash flow and a break-even position on trading could be achieved in the period to the end of September.

The co-operative has budgeted for a profit for the year but whether this is realised depends largely on output performance in the remaining months.

Mr. Nelson said production programmes were now gaining momentum. "We are seeing renewed efforts, and there is a spirit and determination to beat output schedules."

Payment of more than £500,000 of the interest charges included in the latest accounts has been deferred until June next year by the Government as part of the rescue deal negotiated last year.

The interest is on the original £4.2m. State loan provided for the launch of the co-operative.

## BAT's sports sponsorship raises major controversy

BY STUART ALEXANDER

A BIG controversy over sports sponsorship by tobacco companies broke out yesterday after British American Tobacco announced a scheme which could push more than £500,000 into British sport in the next three months.

Action on Smoking and Health immediately called on the Minister for Sport, the Secretary for Scotland, leading MPs and sports administrators to ban the "wholly unacceptable attempt to link the best in British sport with the country's largest avoidable cause of death and disease."

The scheme, called State Express Challenge, would "drive a coach and horses through the spirit of the recently negotiated code of practice on cigarette sponsorship," said Mr. Mike Daube, director of ASH.

It was launched in London by Prince Michael of Kent last night.

BAT will challenge leading sportsmen and women to win certain events and competitions. If they do so, BAT will pay an agreed sum to the Sports Aid Foundation, which will pass on 40 per cent to the sport concerned and distribute the rest to various other sports.

If, for instance, Scotland won the World Cup, £100,000 would be paid to the Sports Aid Foundation, which would immediately pass £40,000 to the Scottish Football Association. On a lesser scale, Scotland will earn £20,000 for every goal scored, £10,000 for qualifying for the second round, and a further £10,000 for qualifying for the third round.

Other challenges include one of £50,000 if a British player or team wins any of the five Wimbledon tennis titles, £50,000 if Lester Piggott wins a ninth title, and £50,000 if the England cricket team defeats both Pakistan and New Zealand this year.

A swimming gold medal at the world championships this year will win £50,000 with a consolation prize of £20,000 if the British team fields six finalists. And at the European Games one gold medal will secure £20,000, two or more £50,000.

BAT says the aim is "to further British achievement and endeavour" and adds that the project is a long-term one designed to help Britain's performance at the 1980 Olympic Games.

Mr. Denis Howell, Minister for Sport, was at a meeting of the Sports Aid Foundation in London yesterday, but he welcomed the scheme saying: "I am sure British sport will benefit enormously from the challenge." He is due to make a statement later this week about further Government aid for sport.

BAT said the scheme was not in breach of the sponsorship code agreed last year between BAT and the tobacco industry. It pointed out that provision had been made in the code for new entrants. The code froze existing spending by the tobacco companies at 1976 levels and limited the use of sponsors' names, advertising and flags.

A new cigarette, State Express 555, was launched nationally this month by BAT with a campaign of heavy price-cutting and advertising support.

The scheme follows BAT's decision to launch its products in the UK after its long-standing agreement with Imperial to trade exclusively abroad, while Imperial traded exclusively in the UK. This agreement was rescinded under the EEC's rules of trading.

## Emergency steering 'might have averted Amoco wreck'

BY PAUL TAYLOR, INDUSTRIAL STAFF

AN INDEPENDENT emergency steering system would probably have saved the Amoco Cadiz from disaster, the Liberator Board of Inquiry was told yesterday at its hearing in London.

Sig. Salvatore Melito, the vessel's chief engineer at the time of the incident in March, yesterday became the second inquiry witness to support a call for modifications to super-tanker steering systems.

He told the Board that had the Amoco Cadiz steering system been designed to provide two totally independent systems backed by two separate hydraulic fluid supply tanks he would probably have been able "in the case of a failure to repair the system."

Last week, at the opening of the inquiry Mr. Paul Vragel, a naval architect from Amoco's marine transport division, gave a personal view that the safety of super-tanker steering systems should be examined and perhaps improved by making additional provisions for emergency use.

Yesterday, the fifth day of the inquiry, Sig. Melito was questioned in detail about the vessel's steering gear and the events which led to its failure before the vessel grounded on the British coast spilling its cargo of 230,000 tons of crude oil into the sea.

He told the Board that the first indication of some defect in the steering came from the helmsman who found that when he put the wheel to starboard the rudder went to port.

Sig. Melito said although the Amoco Cadiz was fitted with twin pumps and two sets of twin rudders to operate the rudder it was normal procedure to run steering gear on one pump working all four rams.

Asked by Mr. Gordon Victory, chairman of the UK Institute of Marine Engineers and a member of the Board, whether both pumps were regularly tested, Sig. Melito said that they were both tested in port before a voyage.

Under instructions from Amoco, the pumps were switched over every 24 hours while at sea. Sig. Melito said that he was "confident" of his ability to switch the system in an emergency, but admitted he had never tested the emergency procedure. He relied on a diagram for instructions on how to respond in an emergency.

The initial failure in the steering was caused by five bolts or "studs" which broke under pressure. These bolts held a hydraulic pipe onto the main steering distribution block.

These bolts "were at no time" tightened while he was in charge of the steering system.

## Airliner talks in Bonn

BY LYNTON McLAIN, INDUSTRIAL STAFF

MR. ERIC VARLEY, Industry Secretary and Mr. Edmund Dell, Trade Secretary, fly to Bonn today for talks with Herr Martin Gruener, German State Secretary for Economic Affairs, on which new airliner Britain should back.

The British Ministers will go in Paris later to meet M. J. Le Theule, French Transport Minister. Today's meeting will be the first with a German Minister.

The meetings come only five days after Mr. Varley held talks with leaders of the U.S. aerospace industry.

They will open the way for evaluation of Britain's role in world civil aviation such as the Anglo-French-German JET 1, 2 and 3 project and the B10 development of the A300 Airbus.

## Further 5% rise in cement prices

By Our Industrial Staff

CEMENT MAKERS yesterday announced a price increase of nearly 5 per cent from next month and in the process gave a sneak preview of the Price Commission's report on Associated Portland Cement, which is not expected to be published for another two weeks.

The Commission appears to have won from the manufacturers an agreement to charge less for bulk cement delivered to customers within five miles of the works.

In January, all members of the Cement Makers' Federation notified the Commission of a proposed 10 per cent price increase for Portland cement.

The Commission decided to make Associated's notification the subject of an investigation and pending the outcome agreed to an interim increase of about half that amount which was applied by all makers from March 8.

## Exception

The Commission has now completed its investigation and its report went to Mr. Roy Hattersley, Secretary for Prices, to Associated at the end of last week.

Last night the cement makers said that the original 10 per cent notified increase would be applied by them all in full from June 1. This represents an average increase of 4.99 per cent on the present price.

The exception is that, apart from in Scotland, the price of bulk cement for places treated as being within five miles of a works will be increased by only about 2.2 per cent on the current price, making around 7 per cent this year.

In Scotland the lower level of price increase will apply only to bulk collections from Dundee, Garthshore, Dundee and Grangemouth.

The federation said: "The detailed implementation of the recommendation of the Price Commission will result in some anomalies and administrative complications which will be discussed with the Department of Prices and Consumer Protection with a view to minimising disruption."

## Consumer protection law under review

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE Department of Prices is examining the possibility of introducing legislation which would allow consumer groups to take class actions against producers of faulty goods on behalf of other aggrieved consumers.

The idea is one of a number being studied as part of informal internal reviews by the Department of Prices and Consumer Protection. The aim of the review is to establish what gaps are left in the framework of consumer protection legislation and to try to find ways of dealing with them.

Mr. John Fraser, Minister for Prices and Consumer Protection, has already said that he feels more flexible powers might be needed to deal with trading abuses as they arise. Now he seems to want to make it easier for consumers to seek redress for themselves.

The review, which is still in its early stages, covers a number of disparate topics, but the theme seems to be developing the idea of self-help and self-regulation.

Codes of conduct agreed on a voluntary basis by manufacturers might thus be given statutory backing. Traders who failed to meet the agreed standard could be disqualified from trading.

A number of options are

being studied, including the possibility of class actions, though this could not be done by the Department in isolation as it would require a fundamental change in the law.

If the American and Canadian examples were followed a class action would allow an individual to sue a producer on behalf of other consumers who had suffered from the same fault.

The damages would then be shared among all the parties to the suit.

The Department is by no means committed to the idea and seems anxious to write in safeguards for manufacturers, to protect them from the rush of claims which have been made in some states in America.

A variation on the class action theme under review would enable an individual to go to court on behalf of other consumers to seek a declaration that a certain product or service was falling short of the required standard. It would then be up to the individual consumer to sue for damages.

The Department is clearly anxious to avoid the problems of licensing businesses which arose under the Consumer Credit Act. But it does want to find a way of clamping down on what it sees as the fly-by-night rogues traders who do not seem to be controlled by the existing law.

## Pickets today against 'shut docks' move

BY PAUL TAYLOR, INDUSTRIAL STAFF

COMMUNITY GROUPS and trade unionists plan to picket a meeting of the Docklands Joint Committee today in protest at the Port of London Authority's proposal to close the Upper Docks.

The Docklands Action Group and the Toward Hamlets Action Committee on Jobs, which two years ago successfully opposed the closure of the West India Dock, see the Docklands meeting as a springboard for a campaign to save the Upper Docks and the jobs going with them.

Mr. John Cuckney, PLA chairman, is due to attend the meeting and present the Authority's proposals and reasons for closing the Upper Docks.

Opponents to the plan have produced a report, *Docklands: An Alternative Strategy*. They say the PLA case is "weak" and that closing of the Upper Docks would turn an already depressed East End into a "graveyard."

Their main opposition to the PLA plan is to do with jobs. Closure, they say, would result in 5,000 jobs lost immediately and up to 20,000 in dock-related industries in the next few years.

## Insurance brokers urged to speed up registration

BY ERIC SHORT

THE Insurance Brokers' Registration Council was urged yesterday by Mr. Stanley Clinton Davis, Parliamentary Under-Secretary of State for Companies, the Aviation and Shipping to speed up preparation of the rules for the registration of brokers.

He was addressing the Corporation of Mortgage, Finance and Life Assurance Brokers in London. He pointed out that Parliament had enacted the Insurance Brokers' Registration Act by the autumn.

Mr. Davis warned against people being persuaded into buying the wrong type of insurance, too much cover or more cover than they could afford.

## Russians at UK talks on battery vehicles

BY PETER CARTWRIGHT

VEHICLES driven by batteries will be studied by more than 230 delegates from many parts of the world, including Russia, at the second international conference of the Electrical Vehicle Development Group which opens today in Bristol.

The worldwide response reflects the growing importance of electric vehicles in helping to solve problems of the environment and declining oil reserves.

An eight-man delegation from Russia has been in Britain for some days. It has had meetings with Ministers and representatives of the Greater London Council.

London Transport, which is running a wide-ranging programme involving more than 50 battery-driven vans and buses, and the National Freight Corporation, which has closely identified itself with developments,

## Timing dispute delays bank tax test case

BY MICHAEL LAFFERTY

A TAX TEST case with implications for many banks operating in London has had to be postponed until September because of difficulties in agreeing a timetable suitable for all the parties involved.

The case concerns the London subsidiary of the Marine Midland Bank of New York, which is appealing against an Inland Revenue tax assessment of £125m.

The assessment concerns tax the Revenue is seeking on the notional profits arising from an increase in the sterling value of foreign investments. Without giving relief for a corresponding notional loss from the translation of foreign currency borrowings into sterling.

In an unprecedented move yesterday, Mr. Douglas Clarke, chairman of the Commissioners of Taxes for the City of London, made a public announcement about the case.

He said that he was doing this because "of the exceptional interest" in the tax appeal.

**Fundamental**

Mr. Clarke's statement said: "The appeal of Marine Midland Ltd. was heard for three days last week by the General Commissioners of Income for the City of London."

"This appeal raises fundamental issues as to the tax rules for assessing profits when assets and liabilities are carried in foreign currencies."

"Mr. H. H. H. Talbot, QC, and Mr. John Gardiner appeared for the bank, and Mr. D. C. Potter, QC, and Mr. Brian Davenport for the Inland Revenue."

The hearing of the appeal has been adjourned and will be resumed in the last week of September.

The Commissioners' statement is obviously meant to assure the many banks with similar problems that every effort is being made to resolve the uncertainty surrounding the case as quickly as possible.

## Gilts 'could trigger corset curb'

By Michael Blanden

INTEREST rates in the UK could start to rise again later this year unless the gilt-edged market recovers soon, Williams and Glyn's Bank said yesterday in a review of European interest rates.

The authorities could be forced to reimpose the so-called corset restriction to check growth of money supply.

The bank added that the latest increase in the Bank of England's minimum lending rate to 9 per cent appeared to have satisfied pressures in the money market—at least for the present.

Renewed uncertainty over the outlook for the dollar could lead to a further rise in sterling. UK interest rates had moved up already against the trend in much of the rest of Europe.

The bank reported that the general trend seemed to be for easier money market rates

## Error 'amazed' SUITS ex-director

A FORMER director of Scottish and Universal Investments decided in court yesterday that the company's directors had "stuck their heads in the sand" over a £4,200,000 loan wrongly classified in the 1976 accounts.

Mr. Angus Grossart told Glasgow's Sheriff's court that the directors did not see that the loan was misclassified when they considered the accounts because

they were not looking for mistakes. He had been absolutely amazed when he learned of the error in June, 1976. It was a matter of great regret.

Mr. Grossart, 41, merchant banker, was giving evidence on the sixth day of the trial of himself, Sir Hugh Fraser and four other directors or former directors of SUITS.

All six deny causing to be lodged before the company's annual meeting a balance sheet for 1976 which did not give a true and fair view of the company's affairs.

Mr. Grossart told Mr. John Skeen, Procurator Fiscal: "As far as the board was concerned we had no reason but to believe we had very competent and highly paid people on the accounting staff."

He accepted the accounts did not give a "true and fair view" because of this "error."

Mr. Grossart said Mr. John Skeen, Procurator Fiscal: "As far as the board was concerned we had no reason but to believe we had very competent and highly paid people on the accounting staff."

He accepted the accounts did not give a "true and fair view" because of this "error."

Mr. Skeen: "If people want to go around sticking their head in the sand and not asking for information that may clear up points, they have only themselves to blame."

Mr. Grossart: "There was no point to pick up. We had no reason to ask at that stage for detailed schedules. Accountants had been working on these accounts for five months and auditors had been paid £48,000 to verify accuracy."

Earlier, Mr. William Forgie, 45, former director, told the court he was unaware in 1977 that he had to tell the company in writing of his share transactions in SUITS within 14 days.

Mr. Forgie and two others of the accused are also charged with failing to notify the company of share transactions within 14 days.

Mr. Forgie said he bought 450 shares in SUITS in May 1976, and another 1,000 in November that year. But it was towards the end of November before he told the company, in an internal memo, and he did so then because the company secretary had asked him to.

The share certificates for the May purchase did not come through until November. It was then he mentioned the matter to the company secretary, who told him of his obligations.

Sheriff Irvine Smith quoted the relevant section of the Companies Act in Mr. Forgie and said: "You did not know any more about this."

Mr. Forgie: "That's right."

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Laurence Brookes, Arthur Smith, Ray Slaughter.

# BICC-people who make things work

A lunchtime drink provides three BICC Globetrotters with a rare opportunity to swap anecdotes about their hobbies — and to talk of the business challenges that have taken them across the world.

Laurence Brookes talks of rugby — his disappointment at missing Saturday's rugby match and his club St. Helens in triumph — and of Indonesia, the reason for his absence. He outlines the major logistics problem that has taken him to Indonesia — the supply of labour, material and equipment to no less than a dozen sites in the country where a BICC team is installing a \$54 million telephone network. He talks of personal pressures — particularly pressures of time, getting the right plant and equipment to the right site when it's needed — and of the challenge of maintaining effective liaison.



Expert training and supervision by expatriate BICC staff enables unskilled labour to play a major part in installing BICC cable for Indonesia's telephone network.

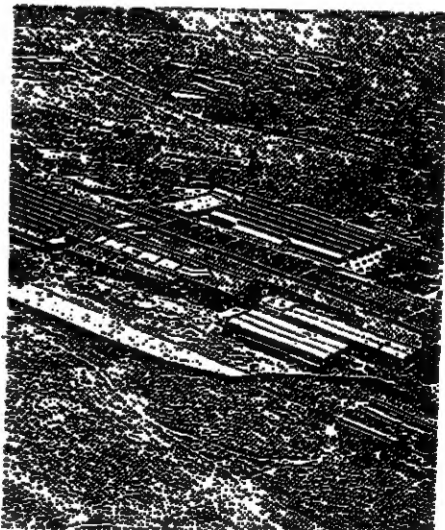
Ray Slaughter talks of the future — of a new technology which is about to revolutionise communications. For Ray, a research physicist, has devoted the last seven years of his life to work on optical fibre cables, as part of an eleven-man team, whose research has contributed to the world's first commercial installation, in a cable television distribution system, of this unique type of cable.

Ray tells of his travels, investigating suitable qualities of fibres and working towards international standardisation of the new materials.

Yet he still finds time for his hobby — photography. As he points out, his 'portable' hobby goes with him on his business trips, and his photograph album is worthy of any world traveller.

Arthur Smith turns the conversation to D.I.Y. — puts forward some novel designs. But his colleagues, more interested in his activities overseas, enquire after India and Indian Cables (Incab), with which Arthur has been connected since the early 1960's when he helped to design, and commission the thermoplastic cables plant. They question him about the progress of the Continuous Catenary Vulcanising plant which will reduce the dependence of Incab on imported paper and lead. They ask of the projects for which he is responsible in Pakistan, New Zealand and Australia and the contribution he is making to building the cable manufacturing capabilities of those countries.

Laurence, Ray and Arthur: rugby player, photographer and D.I.Y. enthusiast. Three of the 54,000 people worldwide who work for BICC — and make things work!



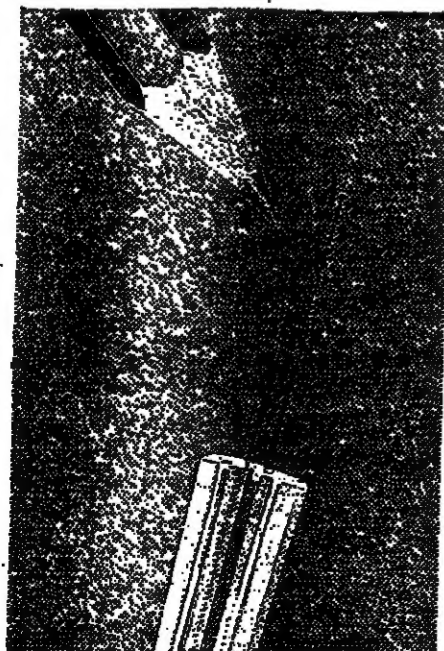
Main cable plant of the Indian Cable Company Limited (Incab), at Jamshedpur.

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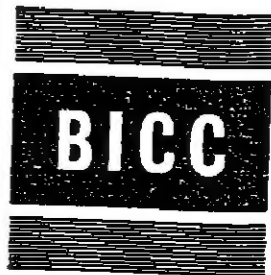
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## HOME NEWS



MR. LESLIE HUXFORD  
"Rigorous system of checks."

## Whitehall slashes forms by 14,000 a year

By David Freud

THE NUMBER of forms to be filled in by businessmen has been cut by 14,000 each year, the Government said yesterday.

Mr. Leslie Huxford, Industry Under Secretary, said that the cut in the number of forms sent out by the Business Statistics Office was the result of a stringent review.

The total number of forms—including those dealing with V.A.T. tax and grant applications—landing on businessmen's desks was about 10m. a year. Of these last year about 470,000 came from the statistics office.

Mr. Huxford's announcement came after a report by the Confederation of British Industry published yesterday calling for form-filling to be kept to a minimum.

The report recommended the establishment of a standing committee to watch over the Government's needs for and collection of official statistical data. This committee should be serviced by a strengthened survey control unit within the Central Statistical Office.

Mr. Huxford said that there seemed to be an impression that new surveys could be launched at will. In fact, there was a rigorous system of checks and balances.

The statistics office annual report for 1977, published yesterday, said that in recent years the office had attempted to reduce the burden of form-filling in five main ways:

- Using sampling procedures and excluding small companies from surveys where possible;
- Asking smaller companies to complete only simple forms with the bare minimum of questions;
- Reducing where possible the frequency of regular statistical inquiries;
- Making statistical forms more presentable and easier to complete;
- Making the maximum use of alternative sources of information, including administrative data such as that derived from V.A.T.

## Call to reject EEC rules which hit jobs

By LYNTON McLAINE, INDUSTRIAL STAFF

THE GOVERNMENT should more fully in world shipping and reject proposed Common Market shipping regulations which could mean losses in British trade and jobs, two Parliamentary committees said in reports published yesterday.

The regulations would bring member states of the Community into line with a United Nations code. Four years ago Britain rejected the code and MPs now want the Government to await further proposals from the EEC before changing policy.

The UN code of conduct for liner conferences was adopted by a meeting in Geneva in April, 1974. It has still not come into effect. Acceptance of the proposed regulations by all nine members of the EEC almost certainly would bring the code into effect within six months.

Liner conferences are associations of international ship-owners providing regular general cargo services, fixing rates, distributing cargo and pooling revenue. The trade accounts for 24 per cent of world shipping and 20 per cent of UK shipping.

The code has six main provisions, designed to enable developing nations to participate

rigidly to the 40:40:20 formula; there would be problems fixing freight rates and settling disputes; and the UN convention had dubious judicial standing.

Acceptance of the code would involve obvious disadvantages for the UK. It was also doubtful whether it would help in restraining unfair competitive practices by state-owned shipping fleets.

It was a question of judgment whether the EEC proposal sufficiently mitigated the shortcomings of the UN code to warrant a change in UK policy.

In general, Britain accepted the need for the code to prevent "unregulated action by governments in the allocation of cargoes," but it was likely to call for further proposals on competition policy when the EEC Council of Ministers meets on June 12 to discuss the new regulation.

House of Lords Select Committee on the European Communities, 25th report session 1977-78, HL 149, 3.0.

House of Commons Select Committee on European Legislation, 21st report session 1977-78, 461-1, 1.50.

It would be difficult to apply it, SO.

## Underwriters urged to fund inquiries into cargo frauds

By SUE CAMERON

BRITISH insurance underwriters have been urged by Mr. Eric Ellen, president of the International Association of Airport and Seaport Police, to set up a special fund to finance international police inquiries into cargo swindlers.

Reports to the association from its members in 50 countries show a marked increase in fraud on the high seas. They claimed cargo swindlers were making millions of pounds in profits and many of the resulting losses were having to be met by the London-based insurance market.

Mr. Ellen told the association's annual conference in London yesterday that one of the biggest problems was fraudulent bills of lading where goods ordered and paid for were either not delivered at all or were of the wrong type when they did arrive.

The present lack of international co-operation over investigations into crimes of this type meant criminals were having "a field day."

"This is a white collar crime and efforts to combat it are often confounded by the lack of jurisdiction of the country most likely to bear the cost and the many conspirators who are involved. There is a danger that this type of crime will proliferate as the advantage to the criminal becomes apparent."

"If ever there was a field of law enforcement activity that has been called for the ability to transcend national barriers of jurisdiction, communication and co-operation, this is it."

The whole problem of inquiries into cargo crime has been complicated by the growing use of containers. In future, there must be a "complete chain of investigation."

"No longer is it acceptable for people through whose areas these goods have passed to fend off the inquiry by saying 'There's nothing to suggest it happened here'—and then to do nothing to aid the investigation."

## Newsprint consumption expected to rise 3.3%

By MAX WILKINSON

CONSUMPTION of newsprint is expected to grow by 3.3 per cent this year and by 1.5 per cent next year, says a forecast from Economic Models, the consultants.

Increased consumption will result from higher levels of advertising in newspapers rather than from increased circulation.

Advertising revenues for the Press as a whole are expected to grow by 7 per cent this year and 3.5 per cent next year.

Demand for newsprint in Canada is expected to grow by 5.6 per cent this year and 3.4 per cent next year, and newsprint production there by 5 per cent this year, 3.6 per cent next year.

Production from Sweden is expected to grow at a slightly higher rate.

Demand for printing and writing papers in the UK is forecast to grow by about 2 per cent this year, 1.5 per cent next year.

Consumption of waste paper fell 8 per cent in the first quarter compared with the same period last year.

The Joint Waste Paper Advisory Council says there has been a substantial reduction in the high level of imports, but because of high stock collections "it has been reduced to below the level of consumption."

## Grants will encourage students to enter industry

By Michael Dixon, Education Correspondent

THE FIRST 100 national engineering scholarships to encourage pupils to train for manufacturing industry are to be awarded for courses beginning in October, the Department of Education and Science said yesterday.

Each scholarship is worth £500 a year tax-free on top of the student's normal grant, with the scheme being financed equally by Government and industry.

So far about 40 companies have offered a total of £90,000 a year.

The awards are restricted to special four-year engineering courses at Imperial College, London, and the universities of Cambridge, Oxford, Strathclyde, Brunel, Manchester and possibly Birmingham.

Promote the scheme will be extended to approved courses at other universities and at polytechnics.

Mr. Oscar Hahn, chairman of an industry-education committee formed to promote engineering studies and an executive director at Guest Keen Nettlefolds, has written to schools and colleges asking principals to tell students of the scheme.

He adds that the Government has been concerned for some time that not enough high-calibre students are going into careers in manufacturing industry.

## Home price rise fears attacked

By John Brennan, Property Correspondent

SIR RAYMOND POTTER, chairman of the Halifax, Britain's biggest building society said yesterday that fears of a house price explosion were exaggerated.

He told the Halifax's annual meeting that the Government had become seriously concerned about a possible price explosion and the effect of this on its own efforts to bring down the general level of inflation.

The Government's consequent request for a 10 per cent reduction in mortgage lending in the second quarter of 1978 had been accepted by the Halifax, which lent a record £1,328m last year.

This restriction of mortgages could create a serious dilemma. "A restriction on mortgage finance can cause frustration and disappointment, particularly for first-time buyers."

"On the other hand if the worst fears about house prices were proved to be well founded, many more first-time purchasers might be put out of the market indefinitely, especially at a time of wage and salary restraint."

"My hope is that a house price explosion is no longer around the corner and that experience over the next few months will prove such fears have been exaggerated," Sir Raymond said.



A new lightweight uniform for postmen and postwomen goes on trial round Britain this summer. The light grey outfits with contrasting darker collars and cuffs will be worn by 1,000 postmen and 80 postwomen to assess staff reaction and confirm durability tests.

## Move to boost output of Lakes tungsten

By PAUL CHEESRIGHT

EQUIPMENT is being commissioned this week at Carruck Fell Mining, the UK's only tungsten producer, as part of a plan to boost output started at the mine last September. It employs 30 people.

The mine is 10 miles west of Penrith in Cumbria and about 100 miles from a high of National Park.

Ore extraction is running at about 1,500 tonnes a month and tungsten concentrate production is about 10 tonnes, enough to allow the operation to meet its costs. The value of the output is about £500,000 a year and most of the tungsten is exported.

Carruck Fell Mining is a joint venture between Weeco Development, a U.S. group, and Amalgamated Industrialists of the UK, which is going into mining for the first time.

The details of the joint venture are still being worked out and centre on the amount Amalgamated Industrialists should pay for its investment. The mine was started by Weeco, which shut it down in 1972, leaving it in a care and maintenance basis, when tungsten prices fell.

Four years later, when the market looked more promising, Amalgamated Industrialists took a year's option to decide whether a re-opening was possible. Robertson Research International was called in to make a feasibility study.

As a result of this limited production started at the mine last September. It employs 30 people. World prices are at their low for the year of \$135.50 for 10 kilograms from a high of \$172.50.

ALLEGATIONS THAT a local authority acted dishonestly and maliciously in blocking development of a fish processing factory after millions of pounds had been spent on the project were rejected by three Appeal Court judges in London yesterday.

Western Fish Products, owner of the factory site at Stable Holm, Newlyn, Cornwall, had challenged enforcement notices and "stop" orders issued by Penryn with District Council which killed off the development.

The company's £9m claim for damages—loss of profits and cost of work carried out—was dismissed in the High Court last November. The Appeal Court will consider costs on Friday.

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## North makes out home rule case

By RHYDS DAVID, NORTHERN CORRESPONDENT

DEVOLUTION needs to be extended to the English regions, claims the Campaign for the North, a pressure group dedicated to unbacking 15m northerners.

The campaign, founded last year to try to bring the north belatedly into the devolution debate, has attracted the support of several MPs, including Mr. Richard Wainwright, Liberal for the Colne Valley, and Mr. Austin Mitchell, Labour Member for Grimsby.

Both were present yesterday at the launching of a booklet, *Up North*, setting out the region's demand for a better deal.

The case put forward by the campaign, which has its headquarters in Hebden Bridge, strategically located between Lancashire and Yorkshire, follows closely the arguments offered the years in Wales and Scotland.

It complains of the lack of democratic regional institutions to control the growing army of

civil servants established in mini-Whitehalls outside London and the host of non-elected bodies covering functions such as health, water and energy.

It also points to the failure of regional policy to narrow the gap between the richer and poorer parts of the UK—a gap which it sees widening because of the continuing growth in importance within the economy of the service sector, largely concentrated in the south-east.

But while Wales and Scotland are to have assemblies, the needs of the north have been neglected because of the mistaken assumption that England should be treated as a unit on its own, the campaign says.

"The key political division in Britain on every conceivable count is not between England, Scotland, Wales and Northern Ireland, but between the prosperous and dominant core on the one hand, and all the peripheral disadvantaged parts of the U.K., including the north and south

west of England, on the other. "There should be assemblies for each of the major English regions, and they should be given the same powers as Wales and Scotland," says Mr. Paul Tenperton, the campaign's director.

The campaign is hoping to stimulate debate and, therefore, is sketching out only the possible forms which devolution within the UK might take.

Its preference, however, is the liberal proposal for a Federal UK, under which all but key national powers such as defence, foreign affairs, customs, currency and citizenship would be transferred to the regions.

The campaign also wants to see a major reform of the local government system with the strategic powers now exercised by the upper tiers in the metropolitan counties, as well as a

polity over non-elected regional bodies, passing to the new

A main area of difficulty for the campaign is to decide whether the north should be one, two, three or even four devolved regions, and where the capital or capitals should be. Possibly the strongest opinion within the group is in favour of three regions based on the existing economic planning councils of the north west, Yorkshire and Humberside and the north east.

The campaign hopes it can make devolution for the north an issue in the next general election, though it is against putting up candidates on the grounds that this would cut it off from the large body of support which it claims already exists within the main political parties, and in particular the Labour and Liberal parties.

The fully paid-up membership of the organisation is put at about 200.

Up North, Campaign for the North, Hebden Bridge, West Yorks. HX7 8DG. 0190.

## Midlands industry presents gloomy picture

By Arthur Smith, Midlands Correspondent

CONCERN about the continued lack of confidence of Midlands industry was expressed yesterday by Mr. Richard Hale, the retiring president of Birmingham Chamber of Commerce.

He told the annual meeting in Birmingham that quarterly surveys among member companies underlined the low level of confidence. Any improvement had been slow.

"The latest survey presented the gloomiest picture for some time, and emphasised members' special anxieties about the stagnation in world trade and the need for much better productivity from our capital equipment and plant."

The recent Budget had failed to provide the necessary stimulus. Many of the individual measures were welcome in themselves, but the Chancellor had not "taken the opportunity to restore some much needed incentive in the economy."

There was a need for some form of centrally-issued incomes policy, but there was a danger of setting "norms" which quickly became regarded as the minimum entitlement.

The chamber favoured a two-tier scheme incorporating a low basic award with an additional flexibility allowance, payable at the employer's discretion.

THE Industry Department is to set up a meeting with the CBI to discuss how UK companies can best be made aware of the need to keep abreast of the Japanese.

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## PARLIAMENT AND POLITICS

Censure motion on forces pay rejected

# Tories pledged to restore comparability next year

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A PLEDGE that a future Conservative Government would restore full comparability to service pay next year was given in the Commons last night by Sir Ian Gilmour, as he moved an Opposition motion of censure on Mr. Fred Mulley, Defence Secretary.

Sir Ian demanded the resignation of Mr. Mulley for the "inexcusably complacent" way he had handled the issue of forces pay and his failure to see that servicemen received a "square deal".

But the censure motion, which sought to halve Mr. Mulley's salary, was defeated by a Government majority of 14 (281-267).

The Scottish Nationalists voted with the Tories while the Liberals supported the Government. The Ulster Unionists abstained.

The Opposition spokesman blamed the Defence Secretary for the poor morale in the forces and for the "stagnation" of officers and men applying to leave because of dissatisfaction with pay and conditions.

He coupled this with an attack on the Left-wing Tribune Group who were, he said, "never happier than when trying to dismantle the defences of this country".

Mr. Mulley replied by accusing the Conservatives of trying to squeeze the last drop of political advantage out of the present situation in the armed forces.

The Government's pay deal promises full service comparability with civilian pay by April 1980 and Mr. Mulley maintained that the initial reaction to this in the armed forces had been "in unqualified satisfaction".

From the Opposition front bench, Sir Ian told the House: "Comparability should have been restored this year—not next year."

He gave this pledge to the armed forces: "A Conservative Government would restore comparability next year and we will do this sort of thing happen again."

According to Sir Ian, the situation was now desperately serious. It was not just a question of pay but morale throughout the services, because of the vast cuts in defence expenditure over the past 12 months. It

imposed by the present Government and the fundamental attitude of the Labour Party towards defence.

A shortage of men, modern equipment, spares, training and transport existed. Defence was at the bottom of the Labour Party's list of priorities at a time when Soviet strength was growing.

Russian tanks outnumbered NATO's by three to one, yet 50 Chieftain tanks in BAOR were in mothballs because of a shortage of men.

Sir Ian's remarks about the Tribune Group brought Mr. Eric Heffer (Lab, Wallon) to his feet. Mr. Heffer said that the Tribune Group only wanted to bring Britain's defence spending into line with that of our NATO allies and that Sir Ian's accusations were "a deliberate falsification".

Sir Ian retorted: "The Tribune Group is neutral against the West. They don't see Russia or the Warsaw Pact as a threat. Perhaps they see them as a promise."

The indictment against Mr. Mulley was heavy indeed, said Sir Ian. He alleged he was guilty of "conspiring against the defence of the country".

He should have resigned and left it to his successor to defend what he knows is not defensible. The Conservative spokesman accused the Government of jeopardising the security of the country. They were guilty right across the board.

They had disarmed the country unilaterally and put the armed forces into disarray at a time when the Russians had been growing even stronger and the defence of the West increasing.

It was the black part of the Government's black record. When there had been a leak of figures of men leaving the services, the reaction of the Government had been to beat a retreat.

It had been absurd to rebuke the Chiefs of Staff for the leak. Only the most furtive politicians would have tried to stop the British people knowing the truth.

By next year, forces' pay would be just as far behind as it was over the past 12 months. It

would not have moved one inch towards comparability.

Mr. Mulley, replying from the Government Front Bench, maintained that the despondency preached by the Conservatives in day out has done much to lower morale in the Services.

"What they are after, really, is votes," he declared.

He wanted to know whether the Opposition believed that pay policy should be totally abandoned or whether it should apply to every section of the community except the armed forces.

He thought that servicemen would recognise that the Conservatives' campaign on forces' pay was merely political manoeuvring.

Mr. Mulley agreed, however, that there had been a disturbing increase in the numbers leaving the services. The Government was watching the situation "very closely".

For the Liberals, Mr. Emyrn Hooson made it clear that his party would not be supporting the Tory vote of censure. He said that the Liberals did not think it was worth taking the risk of restoring comparability before 1980, as it would set a precedent for other groups, such as the police and firemen.

He called Sir Ian's speech "rather deplorable" and thought it overlooked the fact that forces' pay was part of public expenditure which the Tories wanted to cut.

But the Scottish Nationalists said they would support the Tory motion. Mr. Iain MacCormick (SNP, Argyll) said if service-

men's wages had fallen behind those of other workers, then comparability should be restored immediately.

Mr. Doug Hoyle (Lab, Nelson and Colne) said he could not see the objection to trade unions for the armed forces when many top civil servants in the Defence Ministry were members of a trade union.

Before the present increase a British private received £52 a week compared with £76 for his West German counterpart, £102 for a Norwegian private and £122 in the Danish army. West German soldiers all had trade union representation.

Mr. Michael Stewart (Lab, Fulham) said he was not convinced that trade unions for the armed forces was the right answer. But there should be closer contact between those who were concerned with army pay and the trade union movement as a whole.

Mr. Bob Mellish (Lab, Bermondsey) questioned whether the Government had gone far enough in giving servicemen more within the strictures of pay restraint. Servicemen had never been paid properly and their conditions were never as good as they should be. They deserved the best the nation could give them.

Winding up for the Tories, Mr. Winston Churchill called for a supplementary pay rise for the armed forces, based on their "unequalled productivity". He said this would mean an increase of 20 per cent forthwith.

## BNOC changes planned by Tories

A WARNING was given in the Lords last night by the Earl of Gowrie, a Conservative front bench spokesman, that it should not be taken for granted that the British National Oil Corporation would continue in its present form if a Tory Government is returned to power at the next general election.

Lord Gowrie took a similar line to that of Sir Geoffrey Howe, shadow Chancellor of the Exchequer, who last week said that a Conservative Government would strip the BNOC of some of its power. Sir Geoffrey objected that its activities as a regulatory agency were incompatible with its role as an operating company and that the Tories would "separate out" the regulatory role.

Last night, Lord Gowrie, opening debate on North Sea oil in the Lords, said that the Conservatives objected to the confusion between the interests of the State and those of one State company.

Our overriding interest was to use the improved balance of payments to repair the damage to our real economy but nothing BNOC did was adding to the vital private domestic sector.

Among measures for which Lord Gowrie called was an immediate return to the Energy Department of the Corporation's advisory and regulatory functions.

The Conservatives would stop the large discretionary powers of the Energy Department and BNOC and would tax the Corporation like other companies.

Lord Strabolgi, for the Government, said that the Tories still believed that production in the North Sea could be controlled through taxation. But the Government had a more orderly approach, ensuring a State majority in each new licence.

Expertise and investment brought to bear by the private oil companies had been invaluable. But recognition of their contribution did not mean that the Government should not have proper control over the extraction of these vital resources.

## Promise on pensions

THE GOVERNMENT has decided that Servicemen retiring from the armed forces between April this year and April 1980 will receive pensions calculated on a basis fully comparable with civilian pay, Mr. Mulley announced.

This means that a corporal aged 40 with 22 years' service will receive an extra £241 a year on his pension.

A warrant officer aged 50, with 32 years' service, will get an extra £426 per annum and a major, aged 50, with 29 years' service, an extra £524.

Mr. Mulley also announced a standstill on Service rents for at least a year. The pay review body is looking at the question of rents at the moment and is not likely to report for a year.

Neither will the review mean that there will be no increase in charges until the result of the review was known.

Both were reminded by Mr. Varley that no decisions had been taken at the present stage, either by British Aerospace or some of the other interested bodies.

British Aerospace was prepared to have further discussions with Boeing but "top consideration" would be given to the commitment made to European interests.

He also acknowledged that while there would be some advantage in an engine being a lead engine in any new aircraft, this would not be "absolutely crucial".

When Mrs. Helene Hayman (Lab, Walsby and Hatfield) asked the Government to accede to the requests made by British Aerospace and give the "go-ahead" for the purchase of the HS-146, the Minister assured her that the proposal was under serious consideration and that a statement would be made in due course.

Mr. Geoffrey Pattie (C, Chertsey and Walton) emphasised the need for a decision to be made as soon as possible. He said it did not seem to be the best of the American contenders, even assuming that the U.S. involvement was required.

Agreeing that defence was another part of "this complicated matter", Mr. Varley pointed out that Boeing had 60 per cent of the world's civil airline market, while other American companies were much more orientated to the military side.

All these matters, he promised, would be taken into account. Mr. Varley confirmed that he had had discussions with the senior management of Boeing, Lockheed and McDonnell Douglas. The results would form part of the Government's current consideration of future civil aircraft policy.

"The timing of decisions on aircraft projects will depend on the commercial factors," he added.

## Talks on BSC Board

ON THE eve of the publication of the Government's proposals on industrial democracy, Mr. Eric Varley, Industry Secretary, told the Commons last night that he is to have further talks on the appointment of workers to the Board of the British Steel Corporation.

He is to meet the TUC Steel Committee tomorrow and Sir Charles Villiers, chairman of BSC, on Friday.

Mr. Varley said the talks would cover the possibility of direct worker participation on the Board of British Steel in line with Government policy.

It was announced in April that Mr. Varley had offered the steel unions six seats on the BSC Board.

Charles Villiers, chairman of BSC, said yesterday that both the National Enterprise Board and Mr. Eric Varley, Industry Secretary, had been told of the company's plight.

Mr. John Davis, managing director, said the company, which makes heavy trailers mainly for export, had been unable to raise capital to finance what he said was growing overseas demand for the firm's products.

Mr. Stan Newens (Lab, Harlow) asked the Minister if he would investigate reports that the killings were begun by soldiers of General Abdukt's army.

Mr. Rowlands told him the Government had no confirmation of the report.

## LABOUR NEWS

# Postal workers favour further incomes policy

BY PHILIP BASSETT, LABOUR STAFF

POST OFFICE workers yesterday broke ranks with the majority of the trade union movement by effectively agreeing an agreement with the unions on a return to free collective bargaining.

The Union of Post Office Workers, traditionally staunch Labour supporters, could be a lone voice in the union movement to oppose Phase Three ends in nine weeks time.

Government chances of reaching an agreement with the unions on a fourth round are not greatly increased by the UPW decision. The 1,700 delegates at the union's annual conference in Blackpool voted decisively yesterday against motions calling for opposition to any further Government incomes policy.

The link between Labour's General Election plans and an agreement with the unions on some sort of Phase Four was split out to delegates at the weekend by Mr. Denis Healey, Chancellor of the Exchequer.

Mr. Jackson said that neither members of the union, their families, nor the industry in which they worked would benefit from a wages explosion.

The increases worked through to price increases, and the country faced a 1975 Post Office price explosion. People stopped posting letters and thought twice about making telephone calls. The union lost the equivalent of 25,000 jobs.

Mr. Jackson compared that position with this year. Wages would move by about 10 per cent, inflation by about 7 per cent. That coupled with tax reductions, would leave Post Office workers between four and six per cent better off. Post Office prices were stabilised for the year, traffic was increasing, and the union could look for more jobs.

Inflation is the unseen pick-pocket. Fatter and fatter pay packets which buy less and less are of no value to our members."

In the period of free collective bargaining between August 1, 1974, and July 31, 1975, the union won wage increases averaging 33 per cent.

Tax and national insurance increases took 9 per cent of that, and a 263 per cent rise in inflation left Post Office workers 2.3 per cent worse off after the biggest wage increases the union had won.

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His qualified belief in the possibility of a TUC-Government agreement on Phase Four did not stem from a desire to benefit a Labour Government, because he wanted to see the TUC grow in importance in economic planning, nor because he wanted to see Labour win the next General Election, though all those things were very important.

I believe that the welfare of our country is at stake. I believe that our people and their families suffer most from unorganised, unfettered collective bargaining and the attendant dangers of hyper-inflation and unemployment.

Mr. Jackson gave the conference a firm promise that the union would ask the annual TUC conference to co-ordinate a claim to be put to the Government for a shorter working week based on the need to cut unemployment and increase leisure time.

On Post Office services, Mr. Jackson said that for the first time in years there was an increase in letter traffic. He hoped that this increase would prevent a price rise, beyond the freeze to the end of the year already announced. Keeping prices down would increase both letter traffic and jobs.

## NGA to discipline Observer strikers

BY PAULINE CLARK, LABOUR STAFF

THE OBSERVER newspaper crisis seemed to have ended yesterday as print union leaders gave the go-ahead for disciplining strikers against rebel machine minders and took steps to ensure that the men will not work for the paper again.

This followed a warning to union leaders last week that the Sunday newspaper would be shut down if uninterrupted production could not be guaranteed. The paper was prevented from appearing by 25 unofficial strikers a week ago and production was again affected last weekend by 14 of the group, who continued their action.

Instructions for action to be taken against the remaining unofficial strikers were given to London officials of the National Graphical Association as Dr. Conor Cruise O'Brien, editor in chief of the Observer, publicly praised the union for making a "significant contribution to the defence and vindication of two great freedoms—freedom of expression and freedom of valid collective bargaining."

Dr O'Brien, speaking at an Advertising Association lunch in London, said the contribution made by the union's national council towards resolving the Observer crisis "may some day be found to be worthy of note in the history of journalism and of industrial relations in this country."

The union decided at a national council meeting before the weekend to take a tough stand against members who have been disrupting production of the paper in defiance of union instructions. Yesterday's action is probably as near as the union can get to meeting management's demand for a guarantee of uninterrupted production.

Machine minders who have been disrupting production of the Observer's weekly paper, Reveille, are expected to meet to-day to decide whether to continue their unofficial action in support of more pay.

About seven of the NGA members involved are said to have been among the 25 who originally took action on the Observer but only one is believed to have been involved in last week-end's action.

Mr. Derek Walsh, a divisional organiser of the LDC No. 3, proposing the motion, said yesterday that he believed the union's executive was "morally wrong."

Mr. Tom Jackson, general secretary of the union, opposing the censure, said endorsement of the Cricklewood sorters by the executive, in the light of an undertaking in court by the union not to impede Grunwick mail, and were eventually suspended by the Post Office. The union gave them £42 a week hardship money, but the executive all along urged them to return fully to work.

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## Close win for union's Grunwick moderation

By Philip Bassett

THE Union of Post Office Workers yesterday narrowly backed its leaders' handling of the union's involvement in the Grunwick dispute last year, when 130 UPW members at Cricklewood sorting office, North London, refused to handle Grunwick mail.

The union executive faced a strongly-worded vote of censure, but defeated it in a close block vote of the delegates acting for branches by 9,694 to 9,033, a majority of 661.

The union was caught in a dilemma between its rules and trade union principles when last summer London District Council No. 3 of the union invited branches in its area to black mail for the Grunwick film processing plant in support of the workers on strike there for union recognition.

The UPW conference earlier in the year had passed a motion not to black Grunwick mail. Sorters at Cricklewood blacked the mail, and were eventually suspended by the Post Office. The union gave them £42 a week hardship money, but the executive all along urged them to return fully to work.

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## Act does not aim to punish small businesses—Lever

BY RUPERT CORNWELL, LOBBY STAFF

MR. HAROLD LEVER, Chancellor of the Duchy of Lancaster, yesterday called for a "more balanced" approach by small businesses, who have complained about the employment Protection Act.

Mr. Lever, a key financial adviser to the Prime Minister and in charge of the Government's new programme to help a sector it has come to regard as a low priority, emphasised that there could be no question of exempting small firms from the Act's provisions.

One of its prime purposes, he argued in a paper presented to a meeting of the Labour Party/TUC Liaison Committee, was to offer employees of small companies the protection workers enjoyed in larger and well-unions.

But the Department of Employment was considering issuing an advisory booklet to explain the Act to the employer, as well as to employees. The Government also plans to reintroduce in the Commons the Bill that would have sorted out the present "messy" state of legislation, which failed to complete its passage last session.

"We ought to keep clearly in mind that the Act is to provide protection for the employee not to punish the employer or close his business. We need to encourage a more balanced view of this legislation," Mr. Lever said.

The Government also aims to make life easier for small companies by cutting back as far as possible the red tape they have to deal with and by encouraging an increased flow of finance, particularly from the private investor and from the High Street banks.

One possibility is a system of loan guarantees, although the evidence on the effectiveness of bank help to such firms is contradictory. Mr. Lever explained that while some argued that overdrafts provided a simple and efficient source of funds, others held that banks were too cautious in their assessment of borrowers, and that more readily available fixed term loans were needed.

This could be achieved by a loan guarantee system, already under study by an NEDC Committee chaired by Lord Rott. Mr. Lever himself is holding talks with clearing bank representatives to see how their financial and advisory services can be improved.

Mr. Williams assured him that the Department of Industry and the Department of Trade were fully aware of the problem. It had been expected because of the large levels of stocks of Japanese cars at the beginning of the year.

Inevitably, a little time would be needed for the agreed figures to be achieved.

Mr. Williams stressed: "We are keeping a close check on shipments and on prospective shipments."

A Tory advocate of import controls, Alan Clark (Plymouth Sutton), contrasted the ease with which manufactured goods of foreign origin entered Britain with the difficulties placed in the way of British goods sent for export.

At a 10 per cent guidelines was being made a condition of the assistance being given.

Mr. Kenneth Clarke, a Tory industry spokesman, told the House that the Government was behaving in a disgraceful way, and that Ministers were behaving in a disgraceful way. Mr. Clarke said that the value of the industry Act would be raised from £500 to £1 bn.

The main objection of the Tories was that the aid as a means of enforcing its pay policy. In some

## Varley for talks today on civil aircraft policy

BY IVOR OWEN, PARLIAMENTARY STAFF

CONSULTATION rather than firm negotiation has been the main purpose of the talks so far held by Ministers who are preparing the way for policy decisions on Britain's future civil aircraft and engine manufacturing programmes, Mr. Eric Varley, Industry Secretary, told the Commons yesterday.

He announced that the consultative process would be taken an important stage further today when, along with Mr. Edmund Dell, Trade Secretary, he travels to Paris and Bonn.

In France, the two British Cabinet Ministers will meet M. Le Theule, the French Minister of Transport, and in Western Germany, they will see Herr Mark Gruner, State Secretary, at the Ministry of Economic Affairs.

Under close questioning from both sides of the House, Mr. Varley also disclosed that the Government had received proposals—"by way of the NEB"—on the 535 version of the RB-211 engine.

The Government was warned by Mr. Philip Whitehead, (Lab, Derby N) and Mr. Robert Adley (C, Christchurch and Lynton) to beware of seductive offers from U.S. aircraft companies.

Mr. Whitehead stressed that the long-term aim of American interests was to kill off the design capacity of the European aircraft industry, while Mr. Adley suggested that the partnership which Boeing would like with Rolls-Royce was akin to that between the wolf and

little Red Riding Hood.

Both were reminded by Mr. Varley that no decisions had been taken at the present stage, either by British Aerospace or some of the other interested bodies.

British Aerospace was prepared to have further discussions with Boeing but "top consideration" would be given to the commitment made to European interests.

He also acknowledged that while there would be some advantage in an engine being a lead engine in any new aircraft, this would not be "absolutely crucial".



# Managers fear scientific selection—Eysenck

BY MICHAEL DIXON

"HOW DO we go about selecting managers?" asked Hans Eysenck, Professor of Psychology at the London University Institute of Psychiatry. "I think we go about it very badly at the moment."

"I believe that much of the poor performance Britain has been suffering from is due to the fact that the people chosen for jobs, particularly at higher levels, are not up to them."

The famous advocate of rigorous scientific approaches to psychology then confirmed the truth of a piece of recruitment-industry folklore, which I had previously assumed must be a myth.

"In a U.S. company I studied we tried to find the real criteria by which staff were chosen. We were at a loss in the typing pool, because the women there differed widely by every measure of personality, work-quality etc. . . until we noticed they all had bust measurements of 38ins or more."

"The point is that, by comparison, the criteria generally used for selecting managers seem to have results which are less aesthetic, without being very much more relevant to getting the work done well."

The scientific evidence was that fairly commonly used "instant-insight" devices based on handwriting, colour-choice and even astrology were invalid, the Professor said. Moreover

the almost universal selection interviewing had largely been shown to be unreliable.

Here he cited a wide-ranging investigation carried out in the U.S. Army which showed that the only factor which consistently predicted that a candidate would be chosen was that the interviewer had got on with him well. But the liking was not usually sustained for long. In most instances it soon evaporated into an average indifference, and quite often fermented into dislike.

"You see, although there may be signs of pre-psychosis and so on which a proper psychologist could pick up, an interview of about half an hour just doesn't tell you anything really about most people's personality."

## Angels

"And there again, when employers have come to me and to colleagues to ask us for help in selecting people, they mostly have very little idea of what they want. They usually give you lists defining what an angel would be like."

It was true, Hans Eysenck conceded, that some organisations do know what sort of recruits they want and have reliable methods of identifying them. The Civil Service was the best example, perhaps.

"I am sure that I could not improve on its procedures for recruiting the people it wishes to have. But whether those people are the kind of civil servants that are needed by the rest of us in the community, is altogether a different question."

In the main, he believed that they are not. Recruiting procedures of the Civil Service kind seemed to be psychotic about the universal importance of intellectual ability. But in practice personality was at least equally important, and mental approach perhaps more so.

"What does occur to me because I personally come into contact with it, is the terrible danger of having people with an arts education rather than one in science clustered at the top of the Civil Service."

"There's the question of criminality, for example, which we have done a lot of work on at the Institute here. I find that the Home Office, however, holds unshakably to ideas which are quite unscientific and do not work even though it persists in them. People like that don't seem to have any appreciation of what evidence is. Scientists know that the real point is to look for evidence, but civil servants apparently don't. Their inclination is to make it difficult for

anyone to find out what is happening."

Nor did Professor Eysenck think that business employers were worthy of significantly greater approval.

"In companies which need to be competitive, one might expect senior managers to be more amenable to scientific method in making decisions about people and other things. But I doubt that they usually are."

The only sensible way for a company to set about devising criteria for recruitment was to start from successful achievements which it would like to have more of, and failures which it could not want to repeat even if it could afford to, and then identify attributes to be sought or shunned by studying the people associated with either kind of event.

## Refined

Thereafter, the criteria—which would probably vary with different kinds of organisation, and with different jobs within them—must be continually and rigorously reviewed in the light of their practical effects on performance and be changed and refined accordingly, Professor Eysenck said.

But he believed that few managers' understandable resistance to personnel procedures way.

ment methods of this kind, and how is more appropriate selection to be brought about?

"Well, one thing that can be done," Professor Eysenck replied, "is for the person at the very top to establish under his own supervision a small independent section of highly trained people. Some have done this; I understand that Esso has a good unit. But there are far from enough."

"Expert teams like this need not just concern themselves with devising and following up recruitment criteria, they can also be useful in other ways. For example they can help a company to detect the onset of mental breakdowns or alcoholism before they become real problems."

"Of course, it is very important to pick the right people for the team in the first place, especially since there is more charity in psychology than almost anywhere else. But the outcome depends once again on who is the chief executive. If he is of scientific outlook, and demands evidence before accepting it, the team should show good results."

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A service-based public group with a turnover of £5m and market leadership in its sector has created this post to improve financial planning and analysis. It carries responsibility to the FD for budgets, project analysis, cash forecasting, preliminary acquisition studies, profit improvement exercises, control systems development and adverse variance investigations.

Candidates, ideally aged 26-30, should have prior experience of management information work in commerce or industry. They could either be young qualified accountants or mature ACCA/ACMA/ACIS finalists with more practical experience. Prospects are not confined to the financial function.

For a fuller job description write to John Courts & Partners Ltd., Selection Consultants, 78 Wigmore Street, London, W1E 9DQ, demonstrating your relevance briefly but explicitly, quoting reference 7011/FT. This is an equal opportunity appointment.

## JC&P

## FINANCIAL ACCOUNTANT

**COMPANY** The U.K. Subsidiary of a large International Group with diverse activities in many industries.

**LOCATION** In a pleasant part of the East Midlands with easy access to the Motorway.

**APPLICANTS** Should be qualified accountants with experience of controlling a busy Accounts Department and with the ability to provide a service to other members of the Management Team. Experience in both a manufacturing and distributive environment would be an advantage.

**BENEFITS** Attractive salary, bonus scheme, excellent company pension scheme, assistance given with relocation expenses.

Please submit full Curriculum Vitae, in confidence, to the Financial Director, Box 4803, Financial Times, 10 Cannon Street, EC4P 4BY.

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to monitor consumer marketing, planning, production and to maximise profitability. Subsidised canteen, 4 week holiday, 9.15-5.30. Knightsbridge area. Expand your corporate experience in a stimulating and progressive atmosphere. Salary around £6,500.

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# Finance and Administration Manager

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As one of the most respected and growth-oriented investment banking firms, our client provides a full range of investment banking services on a world-wide scale. The international banking activities are directed from its subsidiary in London and a programme of expansion is now under way which will result in the opening of new offices in major world banking centres.

Reporting to the Managing Director and as part of the young management team, the Finance and Administration Manager will be responsible for the efficient operation of all the financial and administrative activities of the firm, including financial reporting and control, treasury, accounting, taxation and personnel. With in-depth involvement in the governmental relations of the firm, the Manager will have the support of an internal team as well as outside lawyers and accountants. The role calls for interface with company management in offices throughout the world and the Manager will contribute to the formation of overall policy.

Candidates for this position will be qualified Accountants, men or women, who have acquired several years experience, ideally in an international financial environment. Personal qualities are equally important and candidates must demonstrate enthusiasm, commitment, leadership ability and integrity. The compensation package will be structured so as to be attractive to the person who best meets the qualifications described above.

Please write in confidence, quoting reference T.871, enclosing concise personal and career details to D. E. Shefferd.



Arthur Young  
Management Services,  
Roth House,  
7, Rots Buildings, Foster Lane,  
London EC4A 1NL

## Jonathan Wren - Banking Appointments

The personnel consultancy dealing exclusively with the banking profession

### MARKETING OFFICER - BIRMINGHAM

Owing to promotion, a vacancy exists at the Birmingham Office of a leading international bank for an experienced Marketing Officer. Ideally, candidates will be currently employed in international banking in a marketing role, will have knowledge of the more important commercial corporations in the Midlands, and will have a good background of banking knowledge including credit appraisal, foreign exchange operations, and bills/credits. This appointment entails management of the bank's Birmingham Office, and there are excellent prospects for future progression within the organization which is represented in all major regional and international financial centres. The salary and benefits offered will fully reflect the demands of the position, and will attract applicants of the highest calibre.

Contact: Sophie Clegg

### EUROBOND SETTLEMENTS

A leading investment bank is expanding its Bond Settlement Department to meet the demands of increased business. Two opportunities occur for young people, ideally aged early/mid 20s, who are experienced in bond settlement procedures via Euroclear and/or Cedel.

Contact: Richard Meredith

### DOCUMENTARY CREDITS

An international bank seeks an experienced documentary credits clerk with a minimum of 4 years' experience. Salary is negotiable and there is the usual range of bank fringe benefits.

Contact: David Grove

170 Bishopsgate London EC2M 4LX 01-623 1266/7/8/9

# Finance and Administration Director

Iran £25,000+

A unique opportunity has arisen to join a major French company expanding rapidly in the international service industry for a Finance and Administration Director to be based in Iran.

Ideally aged 30-40 years the selected candidate will have an ACA or ACCA, and have senior level experience in the total project control of all financial and administrative functions in the construction or service industries. A minimum of five years international experience is required, and candidates must be bilingual in English and French. The selected candidate will have

total responsibility in Iran for all financial and administrative matters, including financial and management accounting, business planning, treasury and bank relations, legal and tax affairs, office administration and personnel.

A salary of at least £25,000 will be negotiated. In addition our client offers free furnished married accommodation, company car, paid leave and other benefits. Interested candidates should send full details of their qualifications and experience to date in strict confidence to Chris Jamieson, Lansdowne Recruitment Limited, Design House, 1 The Mall, London W5 5LS. Tel: (01) 579 2282. (Ref MB550)

## Lansdowne

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## COMPANY NOTICES

### THE CHARLES SULPHUR AND COPPER COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the COMPANY, to be held at the Registered Office, 15, Abchurch Lane, London EC4N 3DF, on Thursday, 25th May 1978, at 10.00 a.m.

1. To consider and approve the accounts and the Report of the Directors for the year ended 31st December 1977.

2. To elect Directors in place of those retiring at the said meeting.

3. To appoint the Auditors for the year ending 31st December 1978.

4. To consider and approve any other business which may come before the meeting.

By Order of the Board,  
R. N. PETERS,  
Secretary.

Registered Office: 15, Abchurch Lane, London EC4N 3DF.

22nd May 1978.

NOTES

1. Any Member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.

2. The Directors and the Auditors for the year ending 31st December 1977 have been re-elected.

3. The Company has received notice from the Registrar of Companies that the Company is to be struck off the Register of Companies on 1st June 1978.

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## CLASSIFIED

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## ART GALLERIES

LONG FINE ART, 25, Seville Street, London W1P 3AT. Tel: 01-347 230. MAXWELL BLOIS, 10, Pall Mall, London W1K 1JF. Tel: 01-347 230. MASTERS LABIA MARTINI, 25, Mark Lane, London EC3R 7DF. Tel: 01-347 230.

BROWNE & DAVIES, 10, Cork St., W.1. Tel: 01-347 230. Mon-Fri, 10.00-6.30 Sat. 10.00-12.30.

DMILL GALLERIES, The British and Modern Galleries, 10, Pall Mall, London W1K 1JF. Tel: 01-347 230.

THE PARKER GALLERY, 2, Aldersgate Street, London EC1A 3DF. Tel: 01-347 230.

WILKINSON, A Large Exhibition of Contemporary Art, 10, Pall Mall, London W1K 1JF. Tel: 01-347 230.

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## BUSINESS AND INVESTMENT OPPORTUNITIES

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# Finance for Growing Companies

If you are a shareholder in an established and growing company and you, or your company, require between £50,000 and £1,000,000 for any purpose, ring David Willis, Charterhouse Development. Investing in medium size companies as minority shareholders has been our exclusive business for over forty years. We are prepared to invest in both quoted and unquoted companies currently making over £50,000 per annum pre tax profits.

**CHARTERHOUSE**

Charterhouse Development, 1 Paternoster Row, St. Pauls, London EC4M 7DH. Telephone 01-348 3999.

## Public company

with £800,000 cash available wishes to purchase either for cash or shares, or mixture of both, a very strong private company with profit between £250,000 and £1,000,000. It is possible that the owners of the company purchased could become the major shareholders in the public company. No agents will be answered, only principals please. Write Box G.1865, Financial Times, 10, Cannon Street, EC4P 4BY.

WELL ORGANISED, OLD LINE, SMALL COMPANY, LOCATED IN MIDTOWN NEW YORK CITY, NOW ENGAGED IN LARGE VOLUME BUSINESS IN

## INTERNATIONAL STEEL TRADE

Interested in representing manufacturers of steel or related items used in industry. Our company has the highest degree of responsibility in management, is exceptionally well financed and is prepared to act as manufacturers' representative for SALES, WAREHOUSING AND MANAGEMENT PURPOSES. Interested parties are asked to submit all details to: Box F.1019, Financial Times, 10, Cannon Street, EC4P 4BY.

## BUSINESSES FOR SALE

## LIGHT CLOTHING FACTORY

Due to retirement of owners, offers are invited for the freehold factory and plant making childrens and mens clothing for a National Retail Organisation.

There is a complete management team—150 trained machineists—full order book—T/O £2m—30,000 sq. ft.—situated in the South East.

A going concern—easily run with enormous potential. Reply Box K962, Walter Judd Limited (Incorporated Practitioners in Advertising), 1a Bow Lane, London EC4M 9EJ.

**AUDIO AND VISUAL COMMUNICATIONS COMPANY**  
International Company with established U.K. business in AUDIO and VISUAL communications systems field.

### FOR SALE

Principal assets consist of equipment rental contracts to major U.K. public companies with forward contracted income of £1.5 million. Principals only reply Box G.1917, Financial Times, 10, Cannon Street, EC4P 4BY.

## HOLLAND

**SMALL INDUSTRIAL DISTRIBUTION COMPANY FOR SALE**  
Jointly owned by British and Dutch partners. It is now desired to offer this unit for sale, either as a base for a company seeking to develop its export possibilities or to merge with a larger Dutch enterprise. Good range of established industrial imported products with well trained and experienced sales personnel. Apply to Box G.1939, Financial Times, 10, Cannon Street, EC4P 4BY.

## SHARE CAPITAL FOR SALE

Long Established Structural Precast Flooring Manufacturer. Located in Owner/occupied Freehold Land and Buildings on 8 Acre Site adjoining Motorway in Lancashire. Considerable scope for expansion. Further details available on request in writing. Write Box G.1981, Financial Times, 10, Cannon Street, EC4P 4BY.

## COMPANY FOR SALE

Old established wholesale company supplying machines and tools to the engineering and building trades. Based Central London. Turnover £500,000 p.a. approx. Principals only. Write Box G.1981, Financial Times, 10, Cannon Street, EC4P 4BY.

## PRINTING INDUSTRY

Specialist reproduction business with 1/20 approx. £250,000 p.a. Greater potential. High productivity equipment and low staffing ratio. International reputation. For sale around £300,000. Principals only apply in strict confidence to: Box G.1912, Financial Times, 10, Cannon Street, EC4P 4BY.

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Leading Agency, Located West of England. Turnover £100,000 p.a. approx. Principals only. Write Box G.1981, Financial Times, 10, Cannon Street, EC4P 4BY.

## WEST COUNTRY

Private, successful Company wishes to purchase businesses up to £100,000 preferably manufacturing & consumer orientated, but not necessarily. Strictest confidence maintained. Write Box G.1960, Financial Times, 10, Cannon Street, EC4P 4BY.

## RADIO CONTROL BUSINESS

Manufacturer wishes to dispose of its radio control equipment interests as going concern. Price of £10,000 covers completed sets, components, trade marks, etc. Mr. N. F. Bazzell, WIPAC GROUP, London Road, Buxingham (Buckingham 3031).

## SCOTCH CHIVAS REGAL BLACK LABEL

Large supplies for prompt buyer. 0772 616997. 01-609 0765.

## CAPITAL ROLLS-ROYCE CAR HIRE

for sale. 01-509 6342.

## BUSINESSES WANTED

## BUILDING COMPANY REQUIRED

An expanding public company wishes to purchase an established house building company in the Yorkshire area. The company should have a substantial land bank, good management and maintainable profits of approximately £500,000 per annum. Write Box G.1978, Financial Times, 10, Cannon Street, EC4P 4BY.

## Better investment return through a multi-million commodities group

Dunn & Hargitt offer you a new way to invest by participating in a multimillion dollar group of commodity investors. Proven record of success.

All participants receive detailed account records monthly. Minimum investment \$20,000.

To investigate this profit opportunity, write for the "Dunn & Hargitt Opportunity Brochure" or call Dunn & Hargitt, Brussels 640.32.80.

When writing: Dunn & Hargitt, Research, Dept. 12a Bte 6, 18 rue J. Jordens, 1050 Brussels.

Restricted to Belgium and U.K.

Representatives of The McDermott Group will be in London from May 27 to June 1, to meet with prospective investors interested in major businesses and/or real property in the United States. Please send inquiries to or contact:

Paul J. Zerns or Randall O.T. Courtney, c/o The Hilton Hotel, Park Lane, London—W1J 9JQ or THE McDERMOTT GROUP, 3703 Rainier Tower, Seattle, Washington 98101, U.S.A.

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## PRODUCTS WANTED

Rapidly growing manufacturing company presently exporting successfully to over thirty countries wishes to diversify and expand its product range through licensing agreement or otherwise.

Especially interested in engine driven applications. Write Box G.1969, Financial Times, 10, Cannon Street, EC4P 4BY.

## ARE YOU SEEKING NEW CUSTOMERS?

Team of top Sales Executives with access at all levels, are at your disposal to get your company large volume, long term contracts with the motor, domestic electrical and other consumer durable industries. If you manufacture a good, competitive product, have a good quality control department and want to expand NOW — either in the U.K. or Europe—contact:

PETER J. GARRINI & ASSOCIATES LIMITED, 130a Burnt Oak Broadway, Edgware, Middlesex. Tel: 01-952 6626 - Telex: 923598

## Invest for Profit or Retirement

Limited number of most attractive sites on exclusive residential estate near Malaga, Costa del Sol, are available for outright purchase or over 25 years at prices not exceeding 10,000 US Dollars. Any major currency acceptable. Very low cost building package available. Money back guarantee if purchased without inspection. Each site approximately 1/2 of an acre in breathtaking scenic valley with clubhouse, riding, fishing, golfing, skiing, swimming, scuba diving, tennis, etc. Full particulars from owners representative now in London. Write Box G.1971, Financial Times, 10, Cannon Street, EC4P 4BY.

## FABRICATION

Overseas Engineering/Fabricating Works seeks contracts for light steel fabrication.

Due to special circumstances very competitive terms can be quoted.

Write Box G.1984, Financial Times, 10, Cannon Street, EC4P 4BY.

## FURNACE CAPACITY WANTED

Wanted: Subcontractor (long term) to heat to 200 degrees C a variety of metal fabrications. Max. length 14ft. max. width 8ft. max. height 6ft.

Write Box G.1958, Financial Times, 10, Cannon Street, EC4P 4BY.

## NON-EXECUTIVE DIRECTOR

London based Available for long or short term Board appointments, covering Britain and the Continent. Experienced Chartered Accountant (48), familiar with financial and business problems would be glad to hear from interested parties through Box G.1968, Financial Times, 10, Cannon Street, EC4P 4BY.

## CA WITH TECHNICAL DEGREE AND INTERNATIONAL MARKETING MANAGER

with to locate opportunity to invest high energy talent and experience in international company in return for a remuneration package which includes equity participation. The company is acknowledged as being the world leader in its field. Write Box G.1980, Financial Times, 10, Cannon Street, EC4P 4BY.

## INVESTMENT REQUIRED

Specialist company manufacturing patented machinery for expanding market with great export potential. Requires investment based in NE England which is a special development area. The company is acknowledged as being the world leader in its field. Write Box G.1980, Financial Times, 10, Cannon Street, EC4P 4BY.

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with to locate opportunity to invest high energy talent and experience in international company in return for a remuneration package which includes equity participation. The company is acknowledged as being the world leader in its field. Write Box G.1980, Financial Times, 10, Cannon Street,



## Data network needs

The PO has plans (tentative) to offer private digital data circuits as soon in the 1980s as possible, to be followed shortly after by an embryo circuit switched service.

What is striking about the PO paper is the almost total success of the packet switching philosophy. As the paper states in discussing the deficiencies of the

ductive system, dependent upon electronic systems, computers and communications, for its organization. Except in a couple of areas, the existence of this is as yet hardly known or researched. And he describes this technology as a "meta-technology," by which he means that it affects all other technologies.

## Keeps the flames from spreading

Water pipe loc

All solvent was eliminated from the company's Camweb epoxy water-based coating, which also has high corrosion-resistant qualities. Sunderland 70811.

## Hydraulic access platform Pneumatic circuit board

## Pumps corrode

## Corrosive liquids

The company says that, in spite of the inroads into this kind of control activity now being made by the microprocessor, the use of pneumatics is preferable in marine applications where pneumatics are already present in other contexts. In addition, computer software costs are considered to be too high for the

detailed study of the paint industry in selected European countries show that, as consumption of paint is a direct function of the level of general economic activity and, since the latter is currently depressed in all the countries studied and shows little chance of imminent substantial recovery, the forecast for

Further from the publishers  
Industrial Aids, Terminal House  
52 Grosvenor Gardens, London  
SW1 0AU (01-730 5288).

## Sales will grow fast

Annual growth of 8.2 per cent, by the transmission and local distribution market over the next decade is forecast. Radio

ADL, 25 Acorn Park, Cambridge, Mass 02140, U.S.

## Water pipe leak detector

and also the new 6106 5.25 inch mini disc drive. The low cost, compact size and fast access time of the 6103 makes it particularly suitable for micropro-

More from the company at  
Tudor Road, Altrincham,  
Cheshire, W14 8TN (061 941  
2361).

The main receiver has short,

When the hand held unit is pointed correctly a lamp dims, the pointer on the main tuning meter dips, and the audio signal fades. More on 0326 72267.

## Batching by micro

certain alarm levels. Thereafter, the weighing sequence for the associated batch weighing equipment is completely automatic.

Further from the publisher  
Industrial Aids Terminal House  
52 Grosvenor Gardens, London  
SW1 0AU (01-730 5288).

## Floppy disc source

particularly suitable for micropro-

23611.

The main receiver has short.

fades. More on 0326 72287.

ment is completely automatic.

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# The Management Page

EDITED BY CHRISTOPHER LORENZ

## GKN: searching for new outlets

IN PRIVATE, British component manufacturers are rarely slow to criticise the shortcomings of British Leyland. But they are nevertheless forced to grudgingly admit that Leyland's performance in one area of their own field—spare parts distribution, is unquestionably shown them the way. It has constructed a large operation (turnover of more than £300m.), with an astonishingly high rate of return (profits of about 170m.), and with a much more entrepreneurial approach to market opportunities, as in the development of Unipart, than any of its rivals.

This record of success is now being underscored by GKN's appointment of Mr. Jerry Clancy, the man who used to run Leyland's parts division, as a new distribution supremo.

By contrast with the State-owned motoring giant, GKN, Britain's largest engineering group, has up to now shown feet of lead in the distribution field. Ten years ago, according to Mr. Basil Woods, planning director, it took the decision to establish itself in spare parts distribution. But since then it has done very little, moving only into what Woods calls the "bizarre end of the trade" with a chain of cash-and-carry warehouses sell-

### Terry Dodsworth on why Britain's top engineering group is so keen to move into distribution

mean acquisitions of existing businesses, development on green field sites, or even on the Continent and in the U.S. But at the moment, GKN is waiting to see what opportunities Clancy manages to unearth in his initial research period. "This is a highly entrepreneurial business," says Woods, explaining the appointment. "Most of the businesses in this field centre on an individual, and flow with one person's drive."

On the face of it, GKN's options appear limited. Until a year ago, it would have been a reasonable bet that it would try to force its way into distribution with one big acquisition—Clancy is said to have £100m at his disposal. But the last real opportunity on this front seemed to disappear about a year ago when Burmah Oil

began a management overhaul at Quinton Hazell, its parts distribution subsidiary, which had been a possible candidate for sale.

At the same time, GKN's own product range is not ideally suited to form the base of an

appropriate in-house range for spare parts distribution. This has brought into the group shorter-life components like joints, bearings and axles, all complementing its basic forgings business. But ideally it needs additional short-life parts, with

distribution business. This has always been a problem in the industry, and for many years it made the growth of the larger groups difficult. But Woods believes that it can be overcome. "Getting supplies," he says, "is a scale problem, and you must also remember that they (the competitors) depend on us for supplies as well."

Woods' own, unspoken, prediction seems to be towards this more independent type of operation. His belief that GKN still has time to establish itself in distribution is based on the type of operations which exist in the U.S. These are generally independent, in the sense that they are not attached to a parts manufacturing company, and have achieved their prominence entirely through their competence in the distribution field—namely the ability to give a rapid and efficient service.

In the U.S., there are national distribution systems which can offer 24 hours' service throughout the country," says Woods. "Who has ever heard of a repair shop in the U.K. being able to say to a car owner that the part will definitely be there the following morning? This sort of thing is standard in the U.S., and a management of customers' similar approach in Britain would create sufficient leeway for us to break into the UK



An amazing new device to make motorists go faster

Leyland's Unipart—is this the way ahead for GKN?

market even late in the day." A straightforward copy of the American system would probably not be possible in Britain or on the Continent. This is mainly because the Americans make simpler cars with a far greater number of common parts. But the principles on which the American companies have grown—detailed computerised analyses of vehicle "populations," and a management of customers' stock levels on a sale-or-return basis, and rapid stock turnover of their own—will clearly pro-

vide guidelines for GKN's increasing number of foreign development. The best U.S. cars coming on to British roads, GKN sees things differently. It has identified distribution as an area which can inject real growth into its business, and it is prepared to move almost as far as the retailing sector in order to achieve these aims. Indeed, Woods says that it might consider franchising retailers, so that, in a few years' time, GKN's name could well be scattered along Britain's High Streets, with franchised retailers "selling under our banner."

IT IS hard to imagine a family atmosphere in a company which employs nearly 400,000 people all over the world, but that was part of the character of Philips which Frederik Philips, a member of the second generation of the founding family, was determined to retain. He admits that, as the boss's son, his route to the top "did seem to be mapped out in advance," but he points out that a dynastic succession has its advantages.

To have a member of the family at the top imparts a sense of stability and security. The family tradition strengthens the links between the managers in the output and the top men in the head office. "The people in distant lands," Philips writes, "can say to themselves, 'There is someone in head office who

will never leave us in the lurch to improve his position elsewhere.'"

Paternalistic, non-bureaucratic and strongly imbued with Christian principles—this is the philosophy which emerges from Frederik Philips' account of his years with the company. He joined as an engineer in 1930, became a member of the Board in 1954 and was president from 1961 to 1971. Strongly influenced by Dr. Frank Buchman and the ideas of Moral Re-armament, Philips believes that industry's role in God's plan for the world is to serve the community of which it is part. Similarly the manager, in making his commercial decisions, "cannot leave his duty towards his personnel, his country and the world, out of consideration."

This is a personal record, not a corporate history. Philips describes briefly the company's disappointing experience with computers (including the breakdown of Unidata "for reasons which had nothing to do with us"), the move into integrated circuits and the acquisitions of such companies as Pye in the U.K. and Igmit in Italy.

But there is no account of the internal deliberations which presumably preceded these strategic decisions. On product planning the company has stayed within the broad strategy laid down by his father—to be a pioneer in consumer products and to steer well clear of heavy engineering. Anton Philips liked objects that could be put on his desk.

Philips believes that the success of a company depends, not on structure or organisation, but on the attitude of the people who work in it. But the organisation was profoundly influenced by external events, especially the Second World War. Because the links between

## The paternalist who governed Philips with a sense of moral purpose

the overseas companies and the world's political leaders. He Eindhoven were virtually broken for five years, these companies became much more independent. The management refused to co-operate with in Holland decided after the Communist China. He told war not to revert to the previous policy of centralisation, but to move towards "a democratic federation of Philips establishments."

### Politicians

Unlike most other large companies, Philips has never had an international division. "We do have men in Eindhoven who co-ordinate all contacts with foreign establishments and who look after their interests rather like envoys. But we give relative autonomy to these establishments and they report directly to the Board of Management. So the head office has to be able to grasp local problems in addition to the general business aspects. We have to know the conditions under which our people are working all over the world and have a feeling for the political climate in each country. This means going to see for ourselves."

Helped by his name and in some cases by contacts made through Moral Re-armament, Philips had access to most of



Frederik Philips (left), sitting with Konosuke Matsushita, founder of the Matsushita Electrical Industrial company.

family; he was imprisoned for side Europe and North America several months and later had to go into hiding. But after organisation (though "the liberation, despite damage to Dutch contribution will continue the plant and the loss of many time to get priority"), but the Philips people, the company primary objective remains the was able to get back on its feet same—that Philips must be with remarkable speed.

As for the future, Frederik Philips is optimistic about the ability of his company to continue to play its part in bringing prosperity to the world. Managers from countries out-

## Champions at risk

EUROPEAN management champions John Chappell and Paul Webb are in danger of losing the United Kingdom national title which they have held for the past two years.

Unconfirmed reports from the National Management Game headquarters in London indicate that the Rank Xerox pair are struggling at the mid-way stage of the quarter final round, which ends on June 8.

Unless Chappell and Webb, both cost and management accountants, can find the resources for a booming finish they will lose not only the £1,000 UK prize but also their chance of retaining the European title, which they won at West Germany's leading business school last autumn.

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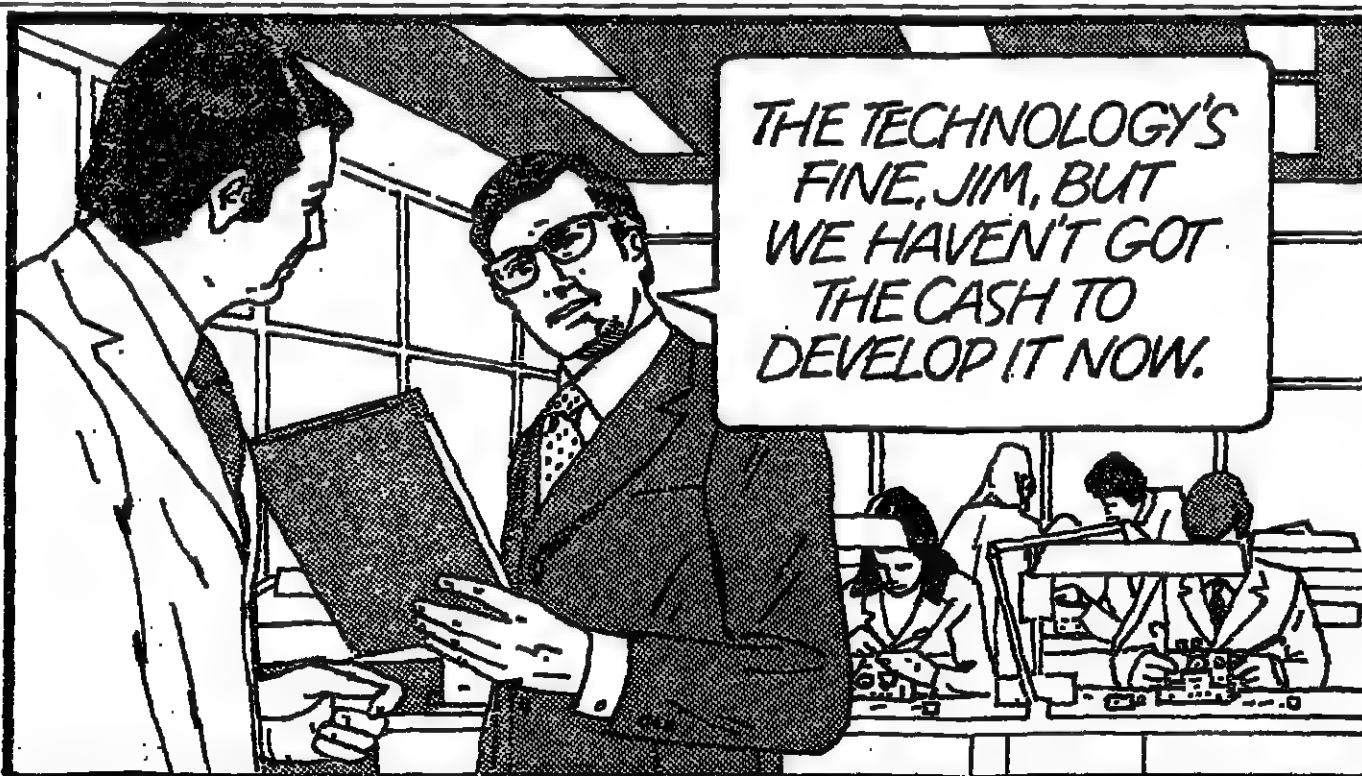
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## RESEARCH INTO GENETICS

## A way to safety without brakes

GENETIC manipulation—like nuclear power and reprocessing—means different things to different people. To some, it is a technique that may for example enable all plants to fix nitrogen from the atmosphere or to harness photosynthesis more efficiently. To others, it is a way of "perverting the human germ plasm." This is how Professor George Wald, one of Harvard's Nobel prize winners, described genetic manipulation at a conference in Washington last year.

All, however, agree that for the time being the use of certain new and powerful research techniques should be regulated by people other than the scientists themselves. Many governments plan to legislate on the subject.

In Britain, the legal instrument will be a regulation under the Health and Safety at Work Act (1974). It will require that details of all experiments based on the new techniques be notified in advance to the Health and Safety Executive and to a body called the Genetic Manipulation Advisory Group, which will then approve the safety precautions to be followed.

Such a procedure has been operating since the end of 1976. Academic scientists have complied at the request of the financial sponsors of their research. Industrial companies have done so voluntarily. As a member of the Genetic Manipulation Advisory Group since the beginning, I endorse the claim in the group's first annual report, published last week, that the first year's work has been constructive. At the same time, however, I have the gravest doubts about the perpetuation of this procedure.

The techniques of molecular biology that occasion concern involve the isolation of genetic material from one organism and its incorporation into the genetic material of another. The potential benefits of these procedures are easily recognised. One organism can in principle be given the genes and thus the functions of some other.

Although most of the genetic manipulations so far carried out have involved the transfer of foreign genes to simple bacteria and viruses, it should for example be possible to give simple bacteria the faculty of manufacturing insulin or other naturally occurring medicinal materials. Cures for some congenital diseases by this means is a more distant and perhaps unattainable goal.

The potential dangers are also evident. What if the bacteria of the human gut acquired by these means the capacity to produce harmful toxins, or even the genes which may be involved in the genesis of human cancer?

These fears were first made explicit at a small conference of molecular biologists in New Hampshire in July, 1974. Afterwards Professor Paul Berg of Stanford University and a group of his colleagues called for a moratorium until the risks had been appraised. In Britain, a committee under Lord Ashby reported in 1975 that the benefits of genetic manipulation could be great, but that research should be carried out in accordance with a code of practice designed to prevent the release into the environment of organisms carrying unnatural and potentially harmful genes.

## Scrutiny

A committee under Sir Robert Williams, Director of the Public Health Laboratory Service, recommended in the summer of 1976 that there should be a Genetic Manipulation Advisory Group (GMAG) to scrutinise all research plans and to classify them in one of four categories, each with specified safety precautions.

Contrary to some expectations, the procedure has worked well. More than 100 research proposals have been scrutinised; the job has been done consistently; and the progress of research has not noticeably been delayed. GMAG is a curious animal, including not just scientists but people interested in the public interest and the trades unions. Even its more acrimonious discussions have been constructive. Thus the somewhat stolid insistence of the trade union representatives on the letter of the law giving workers a say in the safe conduct of the establishments in which they work has valuably strengthened the safety committees, in academic and industrial laboratories, which now give a preliminary scrutiny to research plans.

So why change a system which appears to be working well? There are in my view three groups of reasons, the chief of which is the rapid spread throughout molecular biology of the technique sometimes called "gene splicing."

From the start, the most immediate prospective benefit was the deepening of people's understanding of how the living

genetic apparatus functions. Few, however, can have guessed how rich would be the harvest or should it attempt to give of understanding.

It has emerged, for example, that in some animal and bacterial viruses, genes with quite different functions occupy overlapping stretches along the length of a DNA molecule. In this case many of the genes in the cells of organisms more complicated than bacteria consist not of continuous pieces of DNA but, rather, of separate pieces divided by what are now called "intervening sequences" the function of which (if any) is not understood. The bearing of these discoveries on the way in which the cells of higher organisms have evolved remains to be seen.

For molecular biologists, genetic manipulation has thus become an essential tool of investigation. No laboratory working in molecular biology will be able to stand aside. If the procedures for approving proposals for experiments continue as at present, they cannot but be strained by the flood of proposals there surely will be; while the need of researchers to secure approval for each detailed objective of their experiments will inevitably make the use of the technique less flexible.

The second group of difficulties is international and political. Since Professor Berg's moratorium, most governments have sought to regulate genetic manipulation. Few have been as fortunate as the British Government in its discovery that the Health and Safety at Work Act provided a ready-made recipe.

In the U.S., a Bill introduced by Senator Edward Kennedy a year ago was defeated because it entailed the extinction of individual states' rights to legislate separately and not, as it might have been, because its provisions were absurdly stringent. This year's Bill is a good deal better, but even its well-wishers give it not more than a 50-50 chance.

What happens in the U.S. is important because research in genetic manipulation is truly international. At present, academic research there is closely (and ponderously) regulated by the National Institutes of Health, the chief source of funds. Technically there is no way of regulating what happens in industrial laboratories. Congress is in a familiar dilemma: should it be as understanding in its defence of the

public interest as to comply fully with the demands of the environmental pressure groups, or should it attempt to give American industry a sporting chance in the next few hectic years? I am convinced that the best, indeed the only, chance of devising an acceptable and a workable system of regulation in the U.S. is to abandon the present plan to scrutinise each experiment in detail before the event, and instead to issue to interested laboratories a licence to carry out any experiments deemed compatible with its safety equipment. Each licensee would submit a detailed annual report and his licence would be suspended if he were found to have broken the rules.

The reason why governments elsewhere should trim their sails to suit the U.S. Congress is simple. In these matters, a kind of Gresham's Law operates. Given the dominance of U.S. laboratories, unless governments elsewhere help Congress to arrive at a workable system of regulation they will find their own systems of regulation undermined.

Even so, this alternative to the present procedure for regulating research in genetic manipulation deserves more consideration than it has been given. The circumstances are, after all, unusual. When Professor Berg and his associates published their original warning, they were themselves fearful of what might one day be done. With the passage of time, most scientists in the field consider that the risks, always conjectural, have abated somewhat—and that "gene splicing" is not, in any case, the most hazardous of the tricks of the new biology.

They also acknowledge that having aroused public concern, they cannot now tell people there is no need to worry (although Professor Berg is trying to recruit signatures for a more reassuring public statement). Thus, almost for the first time in the history of science, governments are about to take powers to regulate the details of the individual experiments that scientists carry out. No malevolence is intended and, given the public interest, even the principle is not objectionable. The danger is rather that detailed scrutiny in advance is certain to become increasingly hampered, with the result that the benefits of a technique the potential benefits of which have been amply demonstrated in the past four years will be postponed.

John Maddox, Director of the Nuffield Foundation, is a member of the Genetic Manipulation Advisory Group.

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631/5	2634/5	6943/5	10563/70	14133/60	17388/8	20514/4	23223/30	27226/30	31463/70
632/10	2635/10	6944/10	10564/70	14134/60	17389/8	20515/4	23224/30	27227/30	31464/70
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635/25	2638/25	6947/25	10567/70	14137/60	17392/8	20518/4	23227/30	27230/30	31467/70
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**Tuesday May 23, 1978**

The revolution in communications produced by the growing array of audio-visual media still has a long way to go. Up to now the major uses have been in the entertainment and cultural fields, but there remain great opportunities for their use in education and training.

**By John Chittock**

**THE MODERN** media of communication embrace a confusing array of electronic technologies—not only television, now quite old-fashioned, but video recording, teletext and Videodata (the TV data systems), satellite communication, computer graphics, even electronic picture processing which renders visual information as unalikeable as binary counting.

In Britain, these developments have grown from an historical base of invention and refinement of the audio-visual media. Photography owes more to the British inventors than to any others; likewise television and arguably cinematography. In more recent times, the extension of broadcast television services into daily data transmissions—through the BBC's Ceefax and

IBA's Oracle systems—has been another case of British pioneering: likewise holography (used in 3D picture-making), much of the work in fibre optics (which allow light to be sent along "cables" like electricity), to say nothing of our skills in making creative use of the media.

One consequence of this is that, for all the innovation displayed by the British, it comes as merely part of a process of technical and creative evolution—built upon the experience of the country that pioneered the first public television service in the world, invented the negative/positive photographic process and conceived the idea (and the name) of the documentary film.

Some would argue that in the late 1970s this also yields a handicap. In many countries in the Middle East, television arrived before the cinema had become established. And even in Australia and Canada, where the film industries have achieved international respect, there has been sufficient freedom from cinematic tradition to allow the new media considerable scope in development.

In consequence, Australia has become a very video-minded country—like Canada and some of the more affluent nations in the Middle East. Many Arab schools and hospitals have the more sophisticated internal video systems for use in communication and education—

often installed by UK suppliers, and often more refined and versatile than many in the UK.

It is almost as if the countries with the deeper-rooted film tradition are taking longer to discover practical uses for the new media. For example, not only is the USSR very slow to make a significant switch to video and other new media; it actually clings to 35 mm film as a production gauge in situations where the west prefers 16 mm film. Since the Soviet Union contributed a key chapter to the history of the cinema, notably in the 1920s, it confirms the notion that old traditions die hard.

## Abandoned

In China, the situation has been hardly any different. Indeed, Peking has recently constructed a new Technicolor film processing plant—using the three-strip colour process that dominated colour cinematography in the west, but which has now been virtually abandoned in Europe and North America as new systems have taken over.

For the businessmen and media entrepreneurs, it seems that market research into the future might be best carried out beyond our own shores. What the Arab countries do today in television, may be Britain will do tomorrow. Where cinematic traditions are firmly

established, video will take longer to find acceptance.

These are largely technological symptoms. Where a country has fewer economic constraints but pressing needs for a crash programme in communications, then technology can offer ready-made answers. The Japanese have demonstrated aspects of this, although oddly one tends to think of them as innovators rather than users driven by necessity.

Other factors have also contributed to national characteristics in the media world. Political attitudes have, for example, inhibited the development of cable television in the UK—whereas the free-wheeling enterprise of North America has encouraged it. Environmental factors have played their part too: in the U.S., cable television started because some geographical situations made it almost impossible to provide a terrestrial service; in Holland it has had a head start because the country is conditioned into having a wide choice of TV programming, as situated as it is in the reception area of TV services from bordering countries.

In consequence, growth in the development and application of the audio-visual media has not followed always rational paths. Some countries have jumped ahead first into the jet age, bypassing the piston engine, while others continue to rely on the piston.

however, gradually beginning to level out—or catch up.—The 35mm colour slide, the videocassette, and the 16mm film are now almost universal standards around the world—and popular tools in most countries. And if ideas about applications have tended to differ in the past—in the USSR "industrial" films tended to mean advertising films—there is less to distinguish national trends today.

## Imbalance

The imbalance persists in the electronics media. Paradoxically, the Third World regards television as more of an educational tool than the west; but technical progress in Europe and the U.S. is turning television into such a flexible medium that we may well have to relearn how to exploit it.

Perhaps the greatest revolution, in the west at least, is yet to come through this shift in attitudes. The mass media have for long been regarded as the preserve of entertainment, and the specialist stuff of the slide and 16mm film has been relegated to education, training and information purposes. Yet the economic future of the west may well hinge on re-training and the re-motivation of our workforces. A massive job is looming ahead, and for once we do have the tools with which to tackle it.

This presupposes a new level

of awareness in political circles. While the allocation of the fourth television channel has occupied the debating arena in Britain over the past 12 months, the argument has largely centred on at worst entertainment uses and at best cultural ones. Where were the submissions to the Annan inquiry from industry—staking a claim for a fourth television channel for training, productivity and re-employment purposes? Some of Annan's proposals, notably the Open Broadcasting Authority that would run the fourth channel, left the door ajar but the politicians quickly slammed it shut again.

It may be that private enterprise will once more have to show the way as it has done in its exploitation of the training film. Most of the industrial training media of the Western world is produced on a commercial basis, where the main criterion is not "will it help the national problem?" but "will it make a profit?" In consequence, the popular subjects such as sales training are overserved, while others—such as industrial relations—are neglected, except in areas where impending legislation makes a subject urgent overnight.

neglected, except in areas where impending legislation makes a **Freedom**

Early signs of this are evident in the operating structure that is emerging for the Post Office's Viewdata system. In making every TV set in the country a potential visual display unit, its ultimate success will depend on

the quality and relevance of the information supplied. The Post Office has decided to leave this in the hands of private enterprise: over 80 organisations are already signed up as "information providers," and anyone wishing to access the information will pay for it (via their telephone bill) at whatever rate the provider reckons the market will stand.

Up to a point, this should work very well. But is it not time for the national need to be more positively serviced than by the fickle forces of the market place?

Australia had started to demonstrate some of the potential benefits when it established a Department of the Media. This enabled national priorities to be seen across the media spectrum—embracing all the traditional audio-visual aids alongside film production, the cinema and broadcast television. The Department of the Media went with Whitlam, and notions of anything similar in Britain are charged with political sensitivities and thoughts of 1984 being only five years away.

## Freedom

Yet traditional media like magazines and books have yielded a freedom of choice because they are relatively inexpensive to produce and have a potentially big commercial outlet. The new audio-visual

media are expensive to produce—a 30-minute television programme can easily cost £40,000 before the distribution costs are reached; and in the west the available market is nothing like the 90-plus per cent of adults who are able to read. In consequence, different criteria apply to the new media, as indeed were thankfully allowed to prevail when the BBC was entrusted with creating a television service in the late 1930s.

If governments will not grasp this nettle, at least some would argue that they should release the political brake to allow private enterprise to fill the gap. In Britain, the Cable Television Association has long had plans to bring a wide array of TV material into homes, and at least one consortium in the past was frustrated by Government in its attempts to run a "television for industry" service.

If our economic and industrial problems get worse before they get better, perhaps necessity will drive us to make more positive use of the media. India is anxious to check its accelerating birth rate and desperate to raise food productivity, has already used satellite television to educate its scattered population. America provided the satellites and Britain some of the production know-how. But it was left to India to provide the problem. Maybe the moral for media people is to look east for a light on the future.



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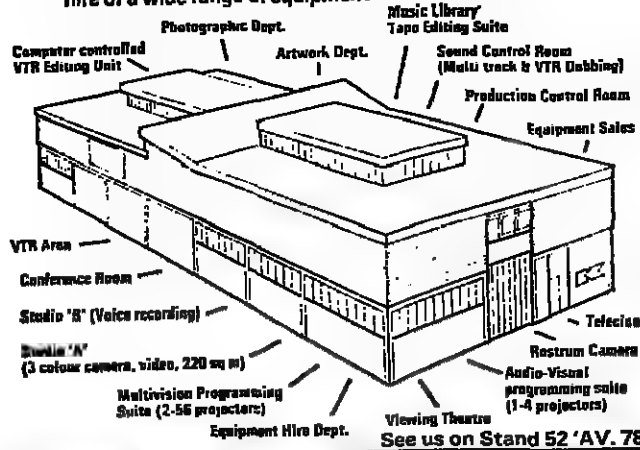
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## The film and its influence

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Since then, the documentary film has chartered (almost unwittingly) the professional and hidden truths of social change, and in the industrial films of this span of nearly 50 years we have a unique insight into technical and commercial growth.

A sponsored documentary film is clearly trying to say something, honestly or dishonestly, negatively or positively, as a fair or distorted reflection of its subject. Consciously or unconsciously it is a complex expression of what its sponsors feel, believe or aspire to doing in relation to the environment of the times.

Thus John Grierson's *Drifters* reflected contemporary preoccupation with the Empire, trade and resources. Its sponsors, the Empire Marketing Board, existed to make the public aware of the industry and activity of the British Empire. The somewhat heroic style of *Drifters*, which revealed the gritty life of seagoing fishermen, also reflected a growing concern for the lot of working people—as did later films made by Grierson and his disciples. Yet it was only possible because the climate was right, and the films thus reflected the ideals of the time; as Grierson himself described it, "documentary film was created to fill a need, and it has prospered because that need was not only real but wide."

Since then, the films of industry have proliferated at an increasing rate, filling great or imagined needs like the output of so many Renaissance painters. Films provide a vivid portrayal of society's dreams; behind their symbolism and rationalisations a wealth of social truth.

A psychoanalyst 50 years hence might well reckon that the industrial films of the 1950s and 1960s reflected an urge to look at the world afresh. Gone was the pre-war emphasis on social themes, replaced by a brave new world of technology and affluence. This was typified by many films of that era: *Shell's Song of the Clouds* (about air transport) and its classic *The Road World* (about insect control). Unleashed produced a brilliant series on scientific themes loosely related to food and household products; a never-ending output of films emerged on atomic energy, engineering, plastics and industrial technology; and occasional indulgences for affluent man came in swinging fantasies like *Pirelli's Tortoise and the Hare* (a love affair on the Italian auto-strada).

When social themes did appear, they had a comfortable feeling about them, like Ford's *Everyday Except Christmas* (the story of Covent Garden market) and *Kayser Aluminium's Why Men Create* (an amusing dissertation on creativity through the ages). No doubt we all did feel rather comfortable in those days, despite the cold war.

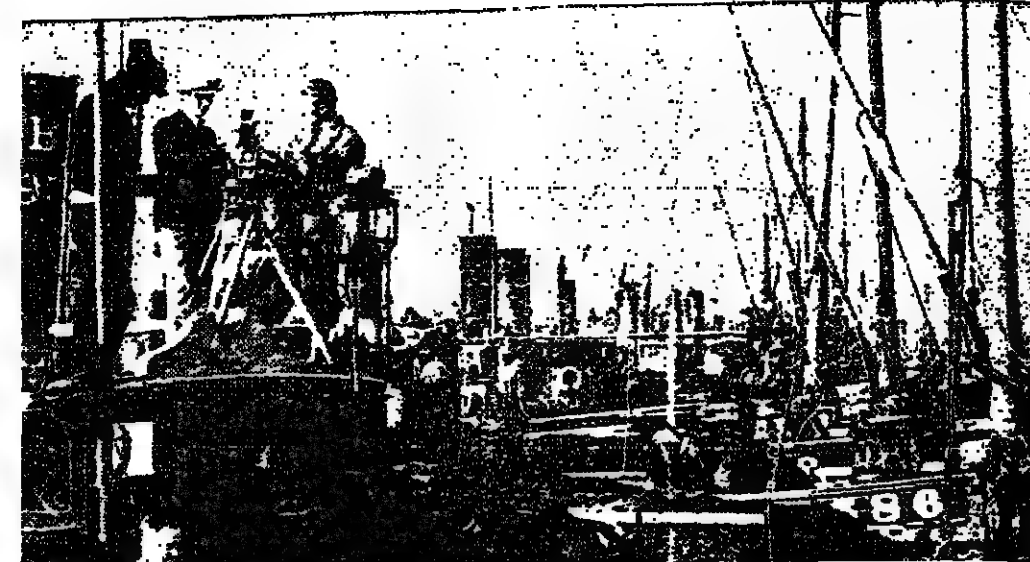
Since then a new preoccupation has crept in. The themes

became generally more pragmatic, concerned with specific products or the daily problems of industry. Selling banking and financial services (mainly from Midland Bank and Barclays Bank in particular); an increasing trend towards employee behaviour and human relations; a boom in training material.

In very recent times, if a new trend is discernible at all, it may well be about corporate affairs and international relations in industrial and commercial activity. The latter theme is not merely exporting in a grander style, but a real sense of internationalism creeping into sponsored films.

Shell pioneered this long ago by ensuring that all of its films were free of national clues or idioms. But the films of others now perpetuate this trend—a Wimpey construction film could have had its origins in any European country; a German railway film could be a British or French one if it wasn't for the rolling stock being different; a Swedish management film tackles and reflects all the same problems in the same way as those of most Western nations.

National barriers, economic disparities, corporate identities



John Grierson (on right of camera), pioneer of British documentary cinema, directing a scene from *Drifters* in 1929.

are all being levelled in the industrial films of today. It is as if the sponsors were moving towards the fait accompli of a universal society where the old divisions of interest are being eroded. Even on a more detailed level, the preoccupation of present-day industrial films (and video programmes) with labour relations perpetuates

this trend. A manager of the becoming a major audience 1930s and 1940s, even the 1950s, would be filled with disbelief at the way that "them and us" have become one and the same in so many of the films of today.

The analysis game could be taken a step further by speculating about the future by speculating about the future on the basis of a few clues in current films. Employees are not only

John Chittock

Problems for  
the producers

TWO particularly common features stand out from any survey of the current audio-visual scene—an explosive growth in the past five years in the number of companies using a-v (and the money they are spending) and an equally tremendous increase in the complexity of available equipment, techniques and basic media.

Put it another way: in 1972 most people thinking of anything beyond visual aids (basically lecture support) immediately gravitated towards the use of 16mm film. At that time viable alternative techniques were either established or unsophisticated or in their expensive infancy.

As a result life was relatively simple for both the production companies and the user. Any project with a sizeable budget was bound to end up as 16mm. The habit had been formed over a 40-year time span. Users—the production companies—customers—were very different from those around to-day. Before recession in the early/mid-1970s an amazing amount of money was squandered on high budget productions which, quite often, either accomplished literally nothing or were used for some particular event and then just left to lie on the shelves of a free loan film library. Although management by objective had been around for years, only a few visionaries thought of applying analytical thinking to the use of audio-visual.

In terms of the producer, life was pleasantly uncomplicated. A-v in general (and film in particular) had a mystique which somehow kept the buyers from asking nasty questions about budgets, and a whole industry grew up around a number of very small individual companies which, in most cases, only needed to produce a few films a year (using rented equipment, technicians and "talent") to make a very comfortable living.

## Leaping

But then what? Since the early 1970s technology and an increased customer awareness of audio-visual have been leaping ahead (practically hand-in-hand) until we have reached today's situation. One can now count on at least five different media being available for application to almost any project: film (16mm is still the format), videotape (as many formats as you or anyone else can possibly imagine), multivision (involving many, many slide projectors on one or more screens), simpler slide/tape programmes (usually using a pair of slide projectors) and film strip (there are, again, a multiplicity of formats/systems available). East of these media is especially right for a certain application. Most of them can also be used in combination to achieve the clients' objectives. One can, for example, produce on videotape and distribute on film, produce on film and distribute partially on video, convert slide/tape to film and/or video, make slide/tape programmes, convert them to film strip and convert the filmstrip version to video... or film. It really does go on etc., etc., etc.

A contributory factor to the development of new systems had been education of existing users and the appearance of new ones in the marketplace. Economic stringency and the devotion of better management techniques (even into company backwaters like the public relations and film units) has made the production companies' clients much more aware of costs, achievement of objectives and, above all, cost-effectiveness. When the client

achieves his/her aims, he tends to use a-v again (and will often return to the same production company). If none of the aims are achieved then... nothing.

So where does this leave the producers? Many of the traditional 16mm film production companies are, of course, still in business. Taking the UK British sponsored film festival as a yardstick, the number of film productions being entered for awards each year has declined only marginally (from 208 in the peak year of 1973 to 189 this year). But 16mm's share of the business had declined dramatically. Amalgamations (and liquidations) of the traditionally oriented film companies have been legion and one or two particularly interesting "giants" have emerged.

## Prominence

In the UK, for example, the rise to prominence of Cygnit Guild Communications—geared to tight budgets but still concentrating almost exclusively on film—has been significant, particularly as this originally small company has by now taken over what many considered to be the cream of the industry.

At the same time as many of the established companies have declined (or, to be kinder, been outpaced by development) a number of new specialists have made their mark—video production houses such as Zoom, Trillion or TVI; multi-vision producers such as Media, Applied AV, Prater, Audio Visual and Carabini; specialist conference companies such as Roundel, MMA or Purchase; even low budget high volume slide/tape programme suppliers such as Martak.

However, the point must be made that these are specialist companies in the true sense of the word. Fine if you know exactly what you are doing (and don't confuse that with thinking you know what you are doing) but they do tend to major on one medium each. Some of the production companies doing best now are those which have turned themselves into something rather like an advertising agency—using marketing and consultancy skills to help advise the client before getting down to creative work and, most important, help in arranging distribution. The problems involved are now fairly formidable. As well as choosing techniques which will help to achieve the client's marketing and financial objectives, the producer has to blend creative style with accounting skills, which would have been unthinkable 5-7 years ago. And things are not going to get any better.

CONTINUED ON  
NEXT PAGE

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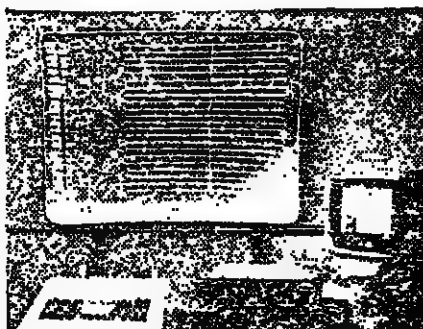
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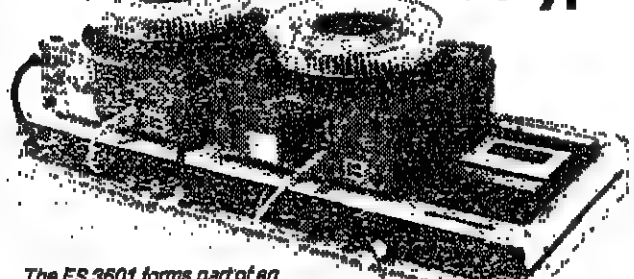
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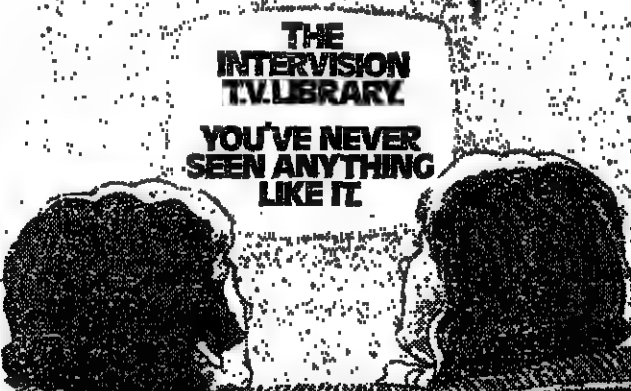
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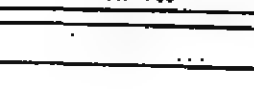
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AUDIO-VISUAL COMMUNICATIONS III

# The safety and training boom

DAILY GROUPS of people of both sexes are clustered round television monitors or film strip play-back machines, or are sitting in makeshift cinemas equipped with a tape slide or 16 mm film projector. They are listening to their leader's closing remarks before the audio-visual aid they are going to see is switched on. What he has to say has been carefully prepared from that all-important leader's guide that in most cases accompanies the programme. Nowadays the trend is for packages of instruction comprising not only the audio-visual programme, but all sorts of documentation as well.

The leader has carefully tailored his address to fit the special circumstances of the people he is training. It may be that part of their job is to supervise others and he is going to show them "Safety and the Supersizer" which is a cautionary tale about a machine-shop accident caused by a failure to get priorities right. Or they may need to be taught the art of communication as a managerial skill. "Two-Way Communication," a recent re-make of one of the first films of this kind to be made in England, will do it nicely. Possibly they may need to know about a hearing in front of an Industrial Tribunal and the events leading up to it, then the film strip "The Case Before Us" will be found to contain many useful points for line-management and personnel specialists.

This list could be lengthened indefinitely. This is not to say that there is no safety or training situation which is not covered by one or other of the many audio-visual aids. Of course there is still a lot of scope for the enterprising producer of new programmes. But in the past five or six years there has been a great expansion in this area. No one cause sparked it off, but certainly the Robens Report and the appearance of the Health and Safety At Work Act 1974 had a great deal to do with the decision of Millbank Films, the brand leaders in the safety film market, to make their first two films. Though it must be added that the Health and Safety Executive, who distribute their films through the Central Film Library, have now compiled an impressive list of films.

### Dependent

Parallel with this and antedating it to some extent, was the production in Britain of audio-visual aids in the sales training and management-training areas. This market had been long established but was dependent to a very great extent on imports from the U.S., which seemed to have a monopoly in behaviourist and motivating films. Rank Aldis, Video Arts, Training Films International, and Management Training (a subsidiary of Guild Sound and Vision) are the principal names associated with this type of production.

There is a third area, that of the relationship which has to be cultivated between the employer, or his representative at any level, and his employee. The cause of this is the plethora

of legislation governing employment, such as the Industrial Relations Act 1971, the Trade Union and Labour Relations Act 1974 and the Employee Protection Act 1975—not forgetting legislation on sex discrimination and equal pay. This is a field which Macmillan Film Productions have made particularly their own.

Progress in the last five years has been rapid. Whereas when this British success story started the total expenditure for 12 months in this market was, according to the best estimates, barely £500,000, today it is put at least at £3m annually and probably more than that. It is expanding year by year as more and more companies in an increasing number of industries realise how cost-efficient audio-visual aids can be.

### Volume

It would be hard to find a more successful training film, produced in Britain since the boom began, than Rank's "Who Killed the Sale?". It has grossed approximately £500,000 in revenue in the past five years.

The advance in volume has also been prodigious. In five years Video Arts, under the chairmanship of Tony Jay, has made 27 films. Five years ago their initial print order for a production would have been no more than 20 prints, now they expect to get through 150 in the course of the first two months. Prints of its "Balance Sheet Barrier" have been hired over 1,000 times in its first year, while Millbank, with John Gundwin in charge of marketing, has sold the same number of their safety film "Make Light of Lifting." John Minoprio of Training Films International, a library for a number of independent producers, reports that business is 66 per cent up in the first three months of this year over 1977. Some 45 per cent of it in both years was contributed by safety films.

When we turn to film strips, small amounts are involved, but the expansion is just as remarkable. Take Macmillan's own figures, for example. J. Sainsbury, the food retailer, approached the company for training material to use with the La Belle film strip machine in 1973. Largely due to this, turnover was £70,000. By 1976, with Sue Fleetwood in charge of sales, it had risen to £180,000 and over 8,000 La Belle cartridges despatched, and the latest figures are expected to show a comparable improvement.

Another early convert to the use of the film strip in training was Woolworth, which now owns nearly 300 film strip projectors and has a library of 50 training programmes. To date it has invested over £250,000 with Macmillan's. It seems that retailers have a need for readily available training material to instruct an often mobile workforce. In many cases with a high ratio of part-timers.

Film strips are usually sold rather than hired. With lower production costs, in the £2,000-£3,000 bracket for a 12-15 minute programme, they can be marketed at around £50 each, and at that price companies can

afford to buy rather than hire. In fact Macmillan's estimates that it makes six sales for every one hiring.

With 16mm films and video-cassettes the opposite is true. Although Video Arts' film and gold award winner *Who Sold You This, Then?* a training film for service engineers, sold 126 prints to 340 hirings, it is an exception. In general the ratio is six hirings to every sale.

Millbank's fully dramatised safety films sell at around £175, comparable with those from the Health and Safety Executive. Management and sales training subjects come out at about £100 more. Part of this higher price is accounted for by the use of well-known television actors and actresses in leading roles, a policy initiated by Video Arts, which has John Cleese on its board of directors. He has featured in almost every film they have made. Among the other famous names who have also appeared in training films are Arthur Lowe, Ronnie Corbett, Tessa Wyatt and Penelope Keith.

The boom seems likely to continue. The Health and Safety Executive has at least five films

lined up for immediate production. The subjects are diverse: safety when working on roofs; the safe use of mobile cranes on construction sites; the safe use of modern ships' derricks particularly when ships are under repair; a film for the Agricultural Inspectorate; and one or two films on the personal responsibilities imposed on both employers and employees under Section 7 of the Health and Safety At Work Act.

Millbank also has four safety films in various stages of production for completion this year, and a further six planned for 1979. They see themselves going as well into the field of industrial relations and plan some films on these. This is an area which Macmillan's is also currently investigating together with two other subjects: negotiating skills and transactional analysis. As Sue Fleetwood says, "video, film and film strip all have their place in training, creating atmosphere so that trainees can identify with situations more easily. It's a question of horses for courses."



Television stars Tessa Wyatt and Richard O'Sullivan taking part in a sales training film entitled "How to Close the Sale" made by Rank Aldis.

Kenneth Myer

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But even the very best producers—those who have already diversified into a range of media and are modelling their organisations on a consultancy-production framework—are going to have difficulties with new users.

Consumer developments are important in this respect. The gradual saturation of an executive market with domestic videotape recorders will undoubtedly lead many managers into thinking about using the medium. Producers could then find themselves having to convince a potential client that the medium which attracted him to them in the first place is not necessarily the one he ought to use!

Whatever happens, the production companies are continually having to update their expertise in the major disciplines of production and distribution. They need to keep an eye on the hardware and the consumer market. They need to quote for business (and charge for it when they've got it) in a businesslike way.

They need, in many ways, to be the best of the advertising agencies. Above all, they need to remember that during the next five years they will be pitching for market share in a business which must eventually stabilise. The going might seem easy now, when it would be difficult not to make money, but it should get sticky later.

**Peter Lloyd**  
Training, Audio Visual

You can use the JVC Video Home System to record\* any colour or black-and-white programme.

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## AUDIO-VISUAL COMMUNICATIONS IV

# The video battleground

THE KEY moment in the development of the home video market to date was the decision by RCA last autumn to adopt one of the two main rival Japanese systems. Not only did RCA back the Video Home System (VHS) developed by the Victor Company of Japan (JVC) and its parent Matsushita Electric, but the company also broke a significant price barrier by launching the recorder with a \$1,000 suggested retail price.

Confusingly known as the SelectaVision VCR—RCA calls all its video ideas SelectaVision and VCR is usually recognised, in Europe at least, as Philips' name for its videocassette recorders—the VHS system was given a multi-million dollar advertising boost with coast-to-coast prime time television commercials. This was much needed as the rival Sony Betamax had a head start in the market place. At one point it was even being suggested that Sony's advertising budget for the Betamax, said to be \$6m, was so large that the costs could not be recouped from expected sales.

Meanwhile, another Matsushita subsidiary, Quasar, was selling another system, exclusive to that company, called the Great Time Machine, as well as providing an American outlet for the VHS. As soon as RCA committed itself to a \$1,000 price for its VHS machines, Quasar reduced the list price of the Great Time Machine to \$995 and offered dealers an extra \$100 rebate, with the result that it was possible to find the GTM discounted to as little as \$795 in some stores.

Sony refused to indulge in such unseemly activity as price-slashing and left the Betamax at \$1,295, until the onset of the Christmas rush, when \$200 was suddenly knocked off. By the height of the shopping period, the asking price had stabilised to a typical \$995 and sales were limited only by the supply of machines coming in from Japan. About 250,000 video recorders were sold to American consumers during 1977, the vast majority of them in the last quarter.

With both sides claiming to be in the lead, the truth is that

honours are about even. Certainly Betamax had been out in front but has lost ground to VHS. A company supplying pre-recorded cassette programmes, Magnetic Video, reports that the ratio of demand had been 65:35 in Sony's favour at the start of the year but last month was equally split at around 10,000 copies for each system.

Sales have fallen sharply in the first months of this year. JVC reported a 30 per cent drop in January and 50 per cent in February—indicating that Betamax has been faring even worse. RCA is again advertising heavily to encourage a year-round buying habit, but some other companies are philosophical about the seasonal nature of sales.

The rivalry is not like that between different television set makers. It is absolute; the systems are incompatible. So the struggle is more than merely to see who can sell most machines: it is to determine which, if any, of the rivals will establish an international videocassette standard.

In Europe the battle lines are even more complicated. Philips has been selling its domestic video recorders, the VCR range, for four years in a slow, steady way. Sales figures have not been issued, but Philips estimates that 97,000 videocassette recorders of all makes were sold in Europe last year; that figure includes the institutionally oriented Sony U-Matic, which is very popular for industrial video installations.

With VHS in the shops since

the end of February and Betamax due here next month, Philips has already started to pull out the competitive stops. The price of VCR blank cassettes has been cut by 40 per cent—although even then they cost twice as much per hour as their rivals—and a new Philips three-hour tape has been promised for later this year, bringing VCR up to the same maximum recording time as the VHS. Dealers have started to discount VCR recorders, which can now be bought in London's Tottenham Court Road high street for £119. The VHS list price is £189 and Betamax will carry a £750 rrp label.

VHS's advantage in America seems to have derived, at least in part, from the number of companies lined up behind Matsushita and JVC. Apart from RCA, the adherents include Akai (already selling in U.K.), General Electric, GTE-Sylvania, Hitachi, MGA, Mitsubishi, Sharp and, most interestingly, the Philips subsidiary Magnavox. Betamax supporters include Aiwa, General Corporation, Nippon Electric, Pioneer, Sanyo, Toshiba and only one non-Japanese company, Zenith, the U.S. colour television market leader.

In Europe VHS can also count on Nordmende, Saba and Thomson-Brandt. So far only one British company, Thorn, has shown signs of getting into the act. In the past it made a cheap version of the Philips VCR, now it is interested in VHS. Philips has one long-standing, steadfast friend in Grundig, which is also to supply VCRs to ITT starting

in August. Seventeen other companies have at one time or another espoused the VCR format but few, if any, are now regarded as serious contenders.

So Philips has a tough fight ahead, and confidence in the Dutch company's ability to survive is not helped by knowing that both Sony and Matsushita have tried to persuade Philips to abandon VCR in favour of Japanese technology. But there will be a fight. JVC predicts British sales of 100,000 machines of all makes this year but itself has only 5,000 dealer orders for delivery up to September. Philips estimates 200,000 machines sales in all Europe, of which the U.K. will probably take a third, roughly coinciding with Sony's prediction of 50,000-70,000 recorders.

The UK pattern will almost certainly not match U.S. experience. The addition of Philips to the equation diminishes the impact which Betamax and VHS can make for themselves alone. Philips and Grundig—the latter now planning to open a new factory to produce 250,000 VCRs a year with a four-hour running time—manufacture their hardware in Europe primarily for European markets. For the immediate future, Betamax and VHS are being made only in Japan, primarily for NTSC colour areas, i.e. Japan and the U.S.; Europe is something of a production line distraction.

Before the end of 1978 a fourth party is expected to join battle. BASF initiated a project to develop a simpler video recorder with a fixed (rather

than rotating) recording head, a low-cost video camera. And on the same horizon is the Philips-MCA video disc system, which to some extent will compete for consumer attention and cash. Other related technical developments form a queue which backs up towards the end of the century. In the circumstances, it is hard to see how the video battle can ever resolve itself, except by peace.

Perhaps even more significantly, Eastman Kodak is known to be engaged on a similar system—possibly even incorporating the recorder into

David Fisher

Editor, Screen Digest

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## Microelectronic miracle

IF A 1947 car had followed the same development as the transistor, it would now cost a tenth of a penny, weigh one gram—and be parked in a thimble.

This cost reduction—50 per cent every 18 months—and volume compression—50 per cent in a year—will prevail at least until 1985. This is the basis for computation and information handling costs that approach nothing—"zero cost computing"—and which is also the foundation of numerous new advanced communications tools, promises and threats to old problems and old communications media.

From the information carrier point of view, microelectronics gives a new boost to old means, such as the good old telephone system (Viewdata) and ordinary TV (Ceefax-Oracle). At the same time, new means develop, such as communications satellites, video/cassette and video disc systems, and optical fibres.

The new services may be given "trade names" such as Viewdata, TV, cable TV. But they may also be described by function, i.e. electronic mail, electronic journals, or simplified computer aided instruction. Electronic mail is thus sent over data networks and Viewdata telephone links, with the aid of computer conference terminals or telefacsimile transmitters—and relying upon telecommunications satellites.

Interactive and to a certain extent individualised training can be performed with Viewdata, video discs and cassettes, cartridge-based video game systems and small home computers.

But which of all this will be reality in five years' time? Everything is a reality today, but not in a big way—and most of it will not be really big in five years' time, either.

Communications systems based on fibre optics will thus initially have their greatest impact in "special feature" markets, such as for instrumentation of aircraft and computers, heavy land telecommunications lines, new means of communication etc. By the end of the period, for the world market for such specialised needs than the

systems might approach \$500m. But beware—the Japanese are designing a cable city, based upon optical communications, in the Hi-OVIS project, Higashi Ikoma, near Osaka.

The other Japanese cable experiment, in Tama New Town, west of Tokyo, is just being completed. The public's high appreciation of news in any form and also of the simple telefacsimile "letters" transmitted to the home give clear indications of future developments. The other sign of a revival of the interest in multi-service interactive cable TV is the initially successful Qube project in Columbus, Ohio. Cable is a growth industry in the U.S. and will be so in Japan, but probably not in Europe for the next five years.

### Written

The Japanese have decided on a character based written language rather than an alphabetic system, and aim at pioneering in telefacsimile transmission systems. But electronic newspapers based on this system are still a long way off.

Satellite TV in a way offers substitutes for cable. According to international agreements, each European nation possesses five direct broadcast satellite TV signals—but in practice only trials are expected before 1985, when the Scandinavian nations may have joined forces to share their 6-8 channels.

But not even the Scandinavians speak exactly one language. Here Ceefax-Oracle might come as a useful aid. Several of the still picture channels could be used for subtitles or for immigrant languages and deaf people.

Broadcast text-TV would, however, have its main features in news flashes of general and specific kinds, in specialised information, local information—and most probably classified "special feature" markets, such as for instrumentation of aircraft and computers, heavy land telecommunications lines, new means of communication etc. By the end of the period, for the world market for such specialised needs than the

established channels. But this higher efficiency poses a threat to the established media—which in many instances both affect public opinion and constitute a rather fragile structure.

The same holds for Viewdata. Who should possess the right to establish fact banks, learning systems, electronic mail exchanges, game pools for this everman's computer network? And what about pricing and invoicing?

Quite probably, this powerful technology will have forced the politicians to decide on policies by 1980. And both Viewdata and broadcast TV-text will have started to make their inroads in the home by 1983. By this time, institutional usage, particularly of Viewdata, will be very intensive, making viable both "specialist sharing" and "inter-active education" and "the paperless school."

Viewdata and TV-text point towards the desirability of TV

CONTINUED ON

NEXT PAGE

VIEWDATA-TELETEXT-VIDEO  
CABLE-TV  
VIDEO  
TAPE

What's the best way of watching how the future of TV develops?

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مكتبات الأمل



# Sliding to top spot in U.S.

IN THE United States one 1-inch equipment, it means media development has evolved over the past few years at the heart of American business communications. Now ranked number one, slides have exploded into high volume usage throughout the entire business community coast to coast.

Non-broadcast television and video recording have graduated from the fresh enthusiasm of a "new media" role to the more steady growth of the medium sifting out the ineffective applications. Super 8 motion pictures, a 15-year-old concept that never lived up to its advanced build-up, has recently caught on as a major selling tool.

The 16 mm film continues to be used heavily by business but at the meteoric rise of past decades. The film strip medium is going through an adjustment as the newer 16 mm and Super-8 film strip gauges take hold to compete with the traditional 35 mm film strips.

The slide medium, 35 mm film double frame in a 2 x 2-inch mount, is the current glamour medium. Sophisticated audio-visual programme control devices (dissolvers, synchronisers and programmers) have led to dramatic presentations involving as many as 15 slides. Furthermore, many speakers at conferences and conventions are illustrated with slides as a normal procedure.

For two or three years starting in 1972 the video medium had the centre-stage spotlight as corporations rushed to convert rather simple black-and-white in-house television production systems to colour and to add "video networks" using the 1-inch U-format video cassette players. That conversion is over and TV/video growth has slowed.

In the past year the appearance of the 1-inch home video recorder systems (two major systems not compatible with each other or with the older 1-inch systems of Philips and Panasonic/Matsushita) have muddled the whole video medium. For a company just moving into video, the decision is a matter of choice. For a company already geared up with

eventually having two incompatible parallel systems or phasing out the 1-inch system if the quality of the 1-inch units becomes acceptable. Schools and institutions which have limited budgets and must keep one system in operation over a long period of time are faced with some difficult decisions.

The tried and true 16mm film, long the dominant medium, came back from a period of slight decline several years ago. Manufacturers of projectors, such as Bell and Howell, Singer, Viewlex (formerly an RCA model), Eastman Kodak and Kalart-Victor, are being challenged by two Japanese firms with excellent machines, Elko and Elmo.

Sales of prepared training films increased 16 per cent, in 1977 as they reached \$73m, passing educational film sales which jumped 17 per cent, a surprise to the media industry as observing school budgets became tighter.

## Education

Convinced that it can gain by the use of a-v media, American business last year spent more than \$1bn for a-v products and services (plus an additional investment of more than \$1bn for in-house production and administration of media programmes). In comparison, a little more than \$750m was spent by education and another \$387m by Government, health-science institutions, religious and community agencies for products and services alone.

The leading business function in the use of a-v media is marketing. Most media money is spent to support and often carry the promotion and sales function for many companies and products. Some companies even owe their existence to the effective use of a-v media.

One of the success stories of the year could turn out to be C. R. Morse Company of Anchorage, Alaska. In 1976, when "Red" Morse wanted to display his new pipe handler, a huge tractor-type machine that can lift a mammoth pipe as a person would pick up a hammer, he found the booth rental at the big petroleum show in Tulsa, Oklahoma, would be \$18,000. Moving the rig down from

Alaska by train would be another \$18,000. And the "pipe handler" could not be demonstrated in a confined traditional booth.

Mr. Morse had a seven-minute \$16,000 sound movie made, bought two Fairchild Super 8 movie projectors and used them in his booth. Result: he landed contracts that raised his 1977 income to \$2m. from \$750,000 in 1976. It is now reported that he has landed a \$48m. three-year contract in Saudi Arabia plus several smaller ones. He credits the movie for getting his company off the ground!

Century 21, applying a new concept in real estate selling by franchising individual real estate companies to use a national programme, used Technicolor Super 8 sound projectors to build its programme. Now each franchised firm has films to recruit brokers (sales people), train them and use in the listing phase — showing people why they should list their home with a Century 21 broker. Total projectors: 3,000.

Point-of-purchase selling via a-v media is expanding rapidly. Movie and film strip projectors are becoming common sights in retail stores across the country.

A new firm, Jewelry Concepts, based in New York City, has 1,500 Technicolor Super 8 sound projectors placed in jewellery departments and shops to show women how well their little scarf clip works. Sales drop whenever a lamp burns out.

American Motors uses LaBelle 16 mm sound film strip projectors in 800 showrooms to point out features and accessories of its new cars. Each autumn for the past four years the manufacturer produces eight or nine programmes to use in the projectors.

A new game using a ball on a long pole (Jokari), could not get sales moving. The game could not be demonstrated in the confines of a store. Using a Super 8 movie the company has had a very successful first year.

The role of training is gaining stature as executives realise that employees need development beyond just the actual job skills. A-v media play a major part in the process.

Sixteen millimetre films have

long been the backbone of the training field and continue their strong position. Even as video is used heavily internally, 16 mm training film sales in 1977 were more than three times those of prepared videotape programmes. Film strips are one of the most cost-effective training media, and the slide medium is becoming increasingly important. Within the past year a proliferation of rear-screen slide projector models have made the use of slides a flexible and low-cost medium.

With the advent of Super 8 sound cameras, that medium has also picked up momentum, especially among smaller companies not wishing to commit themselves to the long-range heavy investment of a video system.

The new video medium has become a significant factor. Several hundred companies, possibly 300, now have full-fledged in-house television production studios and network of video-cassette players located in plants and offices throughout the company facilities.

## Network

The most extensive video training and employee communication network in the country is that of the Bank of America—the world's largest private bank. It has 1,100 Panasonic VCR machines in the State of California alone, one at each branch. A staff of 15 in the San Francisco headquarters turns out 55 programmes annually.

Close to 1,000 business firms, Government agencies and private institutions sponsor films and some videotapes. Noteworthy is a five-film series, "American Enterprise," sponsored by Phillips Petroleum, which has achieved 200,000 bookings in two years with 10,000 prints.

The programme has set records and high standards in sponsored-film distribution using Modern Talking Picture Service and Karol Media. Another petroleum giant, Shell Oil Company, handles its own distribution with 20,000 prints booked from its Indianapolis, Indiana centre, and a drug company, Warner Lambert Pharmaceutical Company, has set a record of sorts

with its "The Story of Dr. Lister," which in 14 years has been seen by 120m people at a cost-per-viewer of \$5.86, or less than half the exposure cost via a colour full-page advertisement in a major national magazine.

Business spent \$1.7bn on the three leading media last year: The explosion of the slide medium resulted in more than \$757m being spent on the medium for purchases of projectors, a-v programme controls, slide-making equipment, custom-made slide programmes and in-house slide production.

Ranked second is the motion picture with expenditure of \$549m including hardware and software—proprietary film purchases, custom-contract production and in-house production.

Third is the video medium with a total expenditure last year by business and industry amounting to \$361m, also including product purchases and production, but not including broadcast and TV commercial production.

Looking ahead, the most talked-of potential new medium is the video disc. Based on estimates for costs to produce discs in mass quantities, American business media experts seem to feel that the disc will not provide a low-enough cost to replace any of the present media. Most training needs require less than 100 copies. If schools ever acquired video disc players in huge quantities, then business sponsors would show true interest. Copies would reach up into the thousands.

Projection television is around the corner as a practical tool, but needs further refinement. The videotape/television system serves the requirements for immediacy at a higher cost. The 16 mm film serves the broad market today. The Super 8 film system serves the requirement for a highly portable motion media that can take a message into a prospect's office. The film strip and the slide serve the mass need for reasonably-priced media. Slides have the additional feature of extreme video flexibility, especially to support the new generation of Japanese consumer video systems, of which VHS—produced by JVC, and others—has been thus foreseen for these new



Viewdata, which enables people to call up information over the telephone for display on their television, is to be introduced by the Post Office early next year.

## Miracle

CONTINUED FROM PREVIOUS PAGE

systems of a higher resolution already arrived in Europe; electronic media in the next five years. It has, for example, been forecast that electronic mail would by 1985 have captured half of mail volume. Some companies are already shifting to this means of distribution simply because it is faster, more reliable—and cheaper. And why speak of electronic journals when computer conferencing opens up possibilities for truly selective discussion and distribution — instantaneously — of specialised information?

The caution about the development in the short run advocated here might seem peculiar against the background of the fast developing electronic technology. But the experience that information technology indeed was the field where the forecasters of 1970 overestimated the pace of development should teach us a lesson. The technology has been at hand for a while. Market acceptance is something else.

Much talk, much effort, and of many benefits, mainly in limited consumer video systems, which VHS—produced by JVC, and others—has been thus foreseen for these new

## Optical

Thus video will be a major consumer item in the next five years. Whether the video disc will also make it in the same period is, however, questionable. Despite recent news of major efforts in this field, the MCA-IBM Philips optical disc system seems the most viable proposition. And that is planned to appear on a limited scale in the US this autumn, and in Europe—perhaps Britain, possibly West Germany, Sweden or Holland—in late 1979. But programme catalogue and player population will take time to build up.

Much talk, much effort, and of many benefits, mainly in limited consumer video systems, which VHS—produced by JVC, and others—has been thus foreseen for these new

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Bengt-Arne Vedin

PHILIPS

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The Philips N1700 VCR system has a 3-day digital clock.

cassette. When you've seen it you'll have to believe it.

Upon your return, simply rewind the cassette and play back the programme.

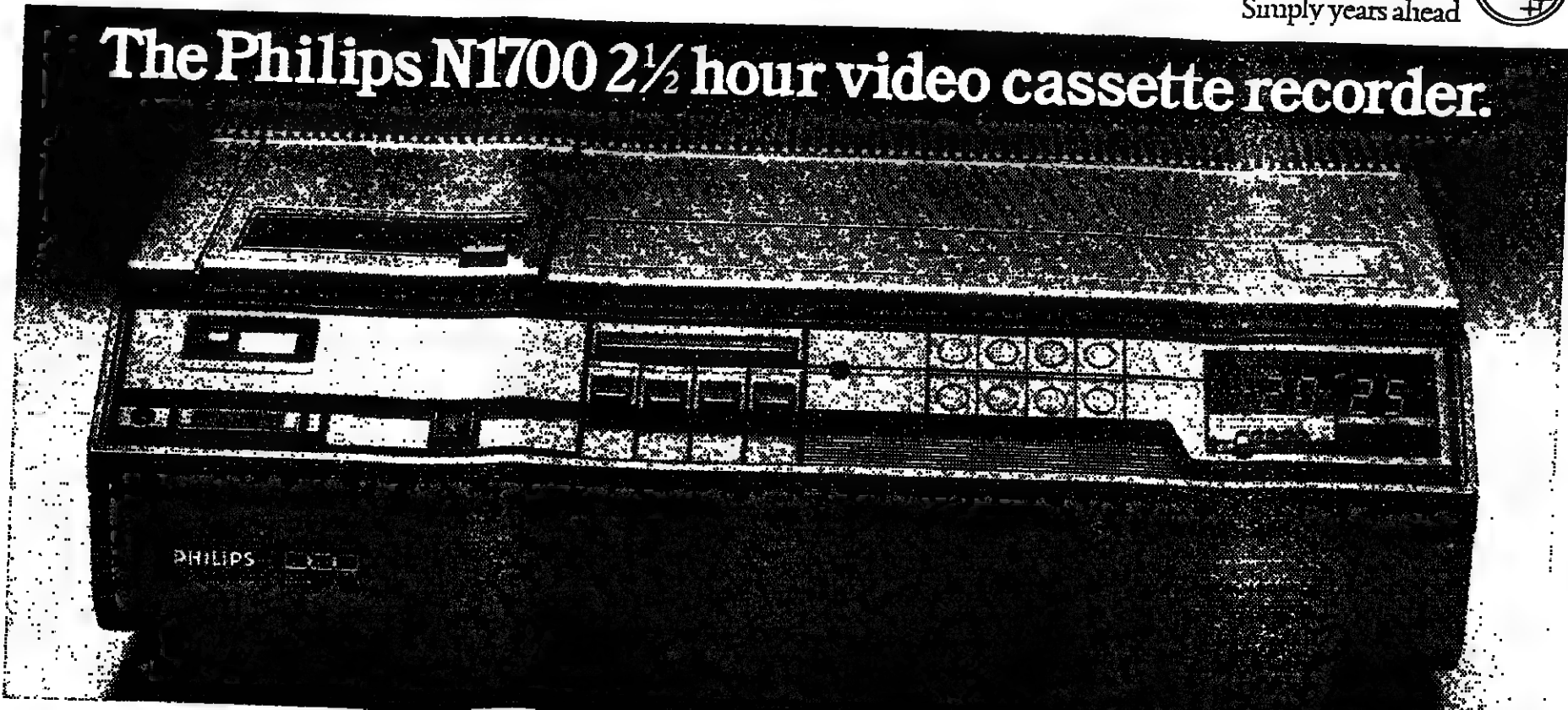
If you find all this a little hard to swallow, visit your nearest Philips VCR dealer.

He'll be happy to show you the N1700 and play you a special demonstration

Simply years ahead



## The Philips N1700 2½ hour video cassette recorder.





20

LOMBARD

# Money and the shadow play

BY ANTHONY HARRIS

ALL THE comment which has appeared since the publication of the money supply figures last week has been concerned to explain why the figures were so high; yet if you once start to think about the explanations, the puzzle changes its nature. What needs explaining is not why the figures were so high, but why they were not a great deal higher. If the explanations are true—and they are highly persuasive—they explain a great deal too much.

Take first the state of the gilt market. The counterpart of the famous Duke of York is the less-discussed shadow play aspect of the thing. If investors think the money supply is overshooting, they fear that the authorities will have to drive up interest rates and hold their own funds off the market—so that they then appear in the money supply. They are thus conjuring up the very shadows at which they subsequently take fright.

## Ideal period

The year up to April was an ideal period to study the money market. It opened at the peak of a bull market in Government stock, with institutions committed up to the hilt, and snapping up every new paripaid offering on the day of issue. Their liquidity must have been a prudent minimum. This April came after a sudden and nervous interval in the market, with little action in the repo. The build-up of institutional liquidity was well under way.

The exact sums involved are a matter of guesswork. Estimates of institutional liquidity at this moment range from about £1.5bn to over £4bn, with £3bn as a popular central figure, and nobody knows just what proportion of this sum is held in local authority and other short public sector securities, as that cannot say whether the full in repo sales added £1.5bn or even more to M3. However, since the total overhang to be explained is only about £2bn, this non-sense alone goes a long way to explain what happened. It incidentally suggests that brokers who quite rightly give bearish advice on gilt to their investment clients should watch their language when they comment on the monetary result of that advice being followed.

However, that is only the start. The banks also indulge in shadow-boxing. They feel that the overgrowth of the money supply may force the authorities to reimpose the control so they try to make sure that on make-

up day their own resources are at the highest plausible level—just as a lady of easy disposition might take a deep breath before being measured for her stays, in order to avoid later discomfort.

The extent of this deep-breathing is again a matter of guesswork, though the sign of it is clear enough—the flurry in the money markets ahead of each banking make-up as loans are drawn and redeposited for the night. The effort would hardly be worth organising for less than a percentage point on the book—and two percentage points would explain the whole business. We are already near the point of over-explanation.

We have not yet as much as glanced at the official explanation of the bulge—the foreign inflow in 1977, which has only begun to turn back into an outflow, however dramatic, the recent figures may look. This is supposed to account for some 40 per cent of the whole growth of the money supply in the year up to April. To be sure, a part of this inflow represented the use of foreign currency for domestic sources for ordinary trading finance, and the proportion is a subject for yet more guesswork; if I say a half, it is only another guess. This would leave a fifth of the total growth—or more than three of the 16 points at stake—explained by the abnormal rise in corporate sterling liquidity, signalled earlier in the rise in M1. Add these explanations together, and we are certainly over the top.

## Take fright

Even now, we have special factors to take into account: the rush in Government departments to use up unspent cash limits, which may account for £400m or so; the operations of the building societies, who are lending at a high rate; and the sterling cannot say whether the full in repo sales added £1.5bn or even more to M3. However, since the total overhang to be explained is only about £2bn, this non-sense alone goes a long way to explain what happened. It incidentally suggests that brokers who quite rightly give bearish advice on gilt to their investment clients should watch their language when they comment on the monetary result of that advice being followed.

None of this means that the build-up of liquidity does not matter—though probably the rise in institutional liquidity is of largely statistical interest. It does, however suggest that apart from having a system which runs supply and demand in a logical way, the market is much too ready to take fright at its own shadow.

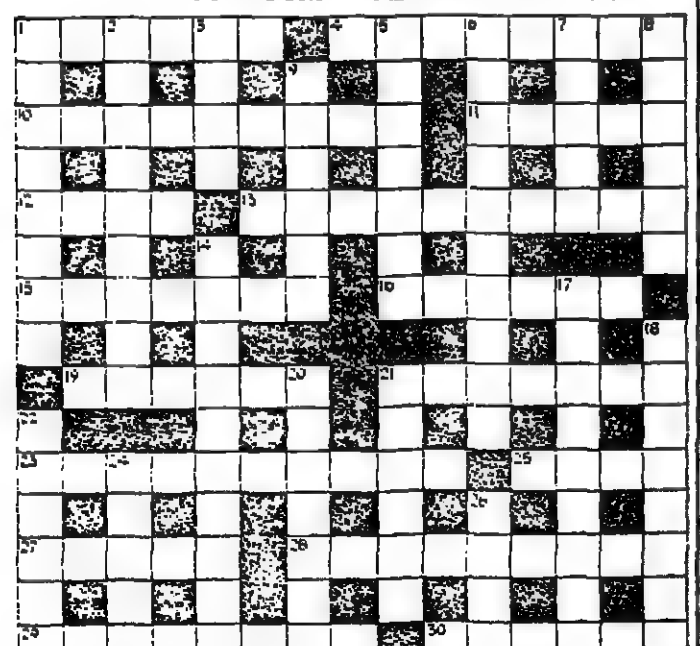
## TV Radio

† Indicates programme in black and white.

### BBC 1

6.40 a.m. Open University. 9.30 For Schools. Colleges. 12.45 p.m. News. 1.00 Pobble Unit. 1.45 p.m. News. 2.00 You and Me. 2.30 For Schools. Colleges. 3.25 Dechrau Canu Dechrau Canol. 3.35 Regional News for England (except London). 5.35 Play School. 6.40 Champion the

### FT CROSSWORD PUZZLE NO. 3674



- ACROSS
- Choose French article to pre-serve (6)
  - Disciplinarian has gummed label left inside (5)
  - Powerful member using physical force (8)
  - Deserve some ritual partially (9)
  - Contemptible person to notice (4)
  - Make the necessary arrangements to nurse (4, 2)
  - Attempt to find outlier to river (7)
  - Start of tide getting turbulent in Channel (6)
  - Maxim that could be spoken or written (6)
  - Cathedral in which one must leave minister (7)
  - Still meeting with no proposal (10)
  - Ship following north-easterly direction for headland (4)
  - Shy, putting it back to the centre (5)
  - Instrument changing into offence (9)
  - Opposed to argument against railway (5)
  - Hound for a ball (6)
- DOWN
- Certain it could be a photograph? ... (5)
  - Yes, positively! (9)
  - Allowed Pole to enter fast (5)
  - Eastern politician in trial creates a storm (7)

WHETHER CLARET is the most drinkable of fine wines may be a matter of personal taste and argument, but there can be little doubt that it is the most discussable. This is mostly so owing to the great variety of red wines produced in the Bordeaux region. Also, though the ones who like to suggest that, say, 1975 is another 1945, or that 1976 will turn out like 1953, in fact no two vintages are ever identical. Nevertheless when two successive years produce very fine claret, the discussion on their respective merits is likely to become animated.

## Speculation

Whether our forebears, perhaps now in another place, have the capacity still to argue about the merits of the '65s as against the '66s (the missing digits are, of course, '18'), must remain a matter of speculation. Yet certainly such controversy did continue for many years about the 1890s as compared with the 1900s. Perhaps the 1890s had it, though the 1900s were much more plentiful, and I cannot imagine anything much better in its way than the Lafite 1900 that I drank at the chateau last autumn, as was later mentioned in this column.

What is even more certain is that the arguments about the next celebrated pair—1928 and 1929—have never been con-

cluded. As with other pairs, such divergences of opinion may be the result of a number of factors, but one subjective. A wine merchant or consumer may well be influenced by the direction in which he has laid out his money, and even if the wines have long been finished or are clearly past their best, the outlay remains as well as the judgement of the past. When the 1928s appeared on the scene there had been a gap since the 1924s. For while the 1928s were thought fine, if rather hard and backward, they were selling relatively cheaply, partly owing to a revaluation of the franc, and they were little bought for the British market. So the 1928s received a good deal of publicity and were widely acquired. From the outset they were big winners, and the competition with a lot of "breed" but rather tannic.

They were immediately followed, however, by the '29s, full-bodied, immediately attractive because less tannic, and forward. It was said by some that they were too forward to last. Yet they cost as much as the '28s initially, although a year or so later were given away, so the world slump developed. So some merchants and their customers preferred to rely on the '29s while others plumped for the '28s. Among the merchants the distinguished firm of Berry Bros. had gone on for the '28s, and the late Allan Stiebel, a shrewd judge of claret also, while the rising firm of

Avery's of Bristol, had largely opted for the '29s.

Today, alas, many examples of both vintages are "over the top," though not all. In some cases the '28s have lasted better, for the really top part have remained rather tannic and a little lacking in charm. Last June at Christie's at the tasting that preceded the great sale of over 60 vintages of Latour, I carefully compared the two vintages from a chateau acknowledged to have produced one of the best wines of each year. To my mind, the '29 was still given up the struggle with the

## WINE

BY EDMUND PENNING ROWSELL

superior, being fruitier, fuller and rounder, while the '28 though fine was still a little severe and dry. Personally I like to drink more '29s than '28s and have preferred the latter vintage.

The next twinned pair were 1932 and 1933. Rather as with the 1928s the first occurred after something of a gap since the 1929 vintage, and the '32s were clearly initially the '33s were big wines, with lots of guts and backbone, and promised to develop and keep well. Certainly the Médoces were distinctly tannic, but it is the tannin that helps to keep a wine, so that

disastrous slump and poor-to-moderate '72, '73 and '74, if '75 had not turned out well, as Voltaire said of the necessary, would have been necessary to invent it. Fortunately, after a splendid summer, the vintage turned out very well: a little short in size, but reasonably priced. A number of merchants here made early special offers, including Adams, Avery's, Corney and Barrow and Laytons.

Then after a no less fine, very dry summer, but in a very unsettled vintage period, came the '76s: a crop scarcely smaller than the '75s, and the vintage which before not set appeared in the vineyards will have made the best wines, thus introducing an element of variety less obvious than with the '75s. How much was the quality diluted by the rain, as in 1975? In some cases it certainly was, and many petits châteaux made light, quick-maturing wine. Yet some of the finer '76s that I tasted at the châteaux when they were a year old, were very attractive, with good colour, fine nose and a good deal of charm. Too much so for such young wines? Only time will tell. Perhaps, like the '75s now, they will "go into their shell."

Generally speaking, '75 is considered the finer year, and it would be difficult to contest that as regards the St. Emilion and Pomerols, whose '76s seem to lack a little body. Yet even in Bordeaux there are those who

## Choice

The answer for us consumers must surely be to represent both vintages in our "collection." The '75s, though now advanced in price owing to their popularity, are still to be found reasonably priced on the lists of merchants here who bought them early. The '76s generally opened at the same initial prices as the '75s, but have now risen somewhat in view of the unpromising '77s. Yet they will not be expensive, and once again many wine merchants have made offers of wines that are, of course, still not bottled. My choice for the moment would largely be confined to the Médoces and Graves. If you could not find a fair range of each vintage will in due course at least be able to join the discussion, equipped with "inside knowledge."

# Balmerino has confident vote to win Clive Graham Stakes

CLIVE GRAHAM, that polished and much liked writer and commentator, is remembered at Goodwood today where the 11 miles Clive Graham Stakes "Are" runner-up Balmerino back in action.

Balmerino, a luckless runner last autumn, who had Milan's Gran Premio del Jockey Club taken away from him in the stewards' room after he had gone close to lifting the Arc de

## RACING

BY DOMINIC WIGAN

Triumphs from an almost impossible position on the home turf, has made just one appearance this season.

At the end of last month the New Zealand bred six-year-old stable companion to the Derby favourite, Shirley Heights, put up a highly encouraging display when fourth behind Trillium Montaigne and Sirind in the £44,444 Prix Ganay.

Behind until making significant headway on the turn into the home straight at Longchamp, Balmerino finished better than any and was by only a short head that he failed to collar Italy's champion four-year-old Sicard for third place.

Today's return, to 11 miles over the course and distance on which he toyed with Lucent and Phileas in last September's Valdes Stakes, Balmerino will take a tremendous amount of beating.

He is given a confident vote to preference to Malleo who has yet to recapture the form which saw him landing two good prizes at Maisons-Laffitte last July.

Pat Eddery, the rider of Malleo and the likely Derby pilot for Audley, now that Leonardo da Vinci has blotted his copybook, could have better luck earlier in the afternoon on the Irish challenger, Cap Ferrat in the Hainault Stakes.

This twice-raced juvenile, trained by Michael Kauntze in Co. Meath, for his wife, is expected to have top speed for Lester Pigott's mount, the top weight, Mr. Minster.

Peter Walwyn has a progressive and fast improving Silly Season colt in Harvest Supper, a lightly raced son of the Pretty Polly Stakes winner, Royal Panache, and I shall be surprised if this late developing bay who caught my eye at Newmarket last time out does not go extremely well in the Tangmere Handicap.

GOODWOOD  
2.00—Rose Track\*  
2.30—Cap Ferrat  
3.00—Harvest Supper\*  
3.30—Balmerino\*  
4.00—Nation Wide  
4.30—Lotta Continua

## Grants to fight drugs in sport

THE Sports Council will grant £25,000 a year for three years to Chelsea College for drug detection work under Professor Arnold Beckett.

One of the main aims of the grants, announced yesterday by Sir Robin Brooks, the Sports Council chairman, is to encourage British sports organisations to introduce tests on a much wider scale.

## HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Housewife's 3.15 Pops. 3.25 Crossroads. 4.00 Report West. 4.15 The 11th Hour. 4.30 The 11th Hour. 4.45 The 11th Hour. 5.00 The 11th Hour. 5.15 The 11th Hour. 5.30 The 11th Hour. 5.45 The 11th Hour. 6.00 The 11th Hour. 6.15 The 11th Hour. 6.30 The 11th Hour. 6.45 The 11th Hour. 7.00 The 11th Hour. 7.15 The 11th Hour. 7.30 The 11th Hour. 7.45 The 11th Hour. 8.00 The 11th Hour. 8.15 The 11th Hour. 8.30 The 11th Hour. 8.45 The 11th Hour. 9.00 The 11th Hour. 9.15 The 11th Hour. 9.30 The 11th Hour. 9.45 The 11th Hour. 10.00 The 11th Hour. 10.15 The 11th Hour. 10.30 The 11th Hour. 10.45 The 11th Hour. 11.00 The 11th Hour. 11.15 The 11th Hour. 11.30 The 11th Hour. 11.45 The 11th Hour. 12.00 The 11th Hour. 12.15 The 11th Hour. 12.30 The 11th Hour. 12.45 The 11th Hour. 1.00 The 11th Hour. 1.15 The 11th Hour. 1.30 The 11th Hour. 1.45 The 11th Hour. 2.00 The 11th Hour. 2.15 The 11th Hour. 2.30 The 11th Hour. 2.45 The 11th Hour. 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# The politicians re-discover the family

PARENTS CAN reasonably expect to do better out of the next few Budgets than single persons or childless couples, for our politicians are rediscovering the family. Mr. Healey's recent Budget, which promised two increases in Child Benefit over the present fiscal year, set the tone. It would not be surprising if there were more to come.

There is a hard political reason for this. Before the Government's recent recovery, when Labour was doing badly and seemed certain to lose an early election, detailed analyses of the opinion polls were especially instructive. This scrutiny of the statistical entrails showed that the Labour Party had lost a disproportionate number of voters classified as "women, aged 25 to 39, in CDE social class groups" — or, simply, young working class mothers with small children.

Of course it would be foolish to draw general conclusions from a single political fact of this kind, but it is nevertheless worth noting that the improvement of the Government's position in the polls has coincided with a new emphasis on "family policy," starting with "Family Budget" of a few weeks ago.

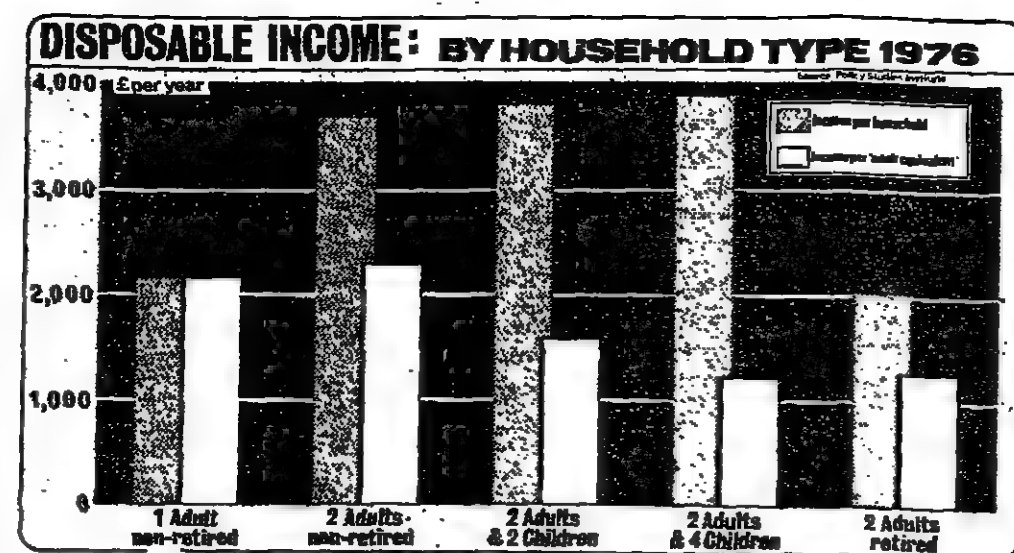
The Prime Minister, who knows about winning votes, has begun to give attention to the family in his speeches, addressing the National Conference of Labour Women in Southport just over a week ago he threw in everything he could think of as a Government action "for the family" and rammed his message home with: "I don't believe that the Government has done enough — hardly started to consider as a whole the impact of its policies on the family."

The Conservatives set aside a debate at their conference last October on the family and Conservative policy. As might be expected, their belief that "family" is something on which they have a patent (like the flag, or unionism) has filled them with confidence that it is an issue on which they can beat the Socialists whenever the challenge is laid down.

Hence the exchange in the Commons last week, with Mr. Callaghan's hint about a new co-ordinated family policy, which is needed "if we are to preserve and enhance the family's dimension and the family circle, which I believe to be a very precious asset in our national life" — and Mrs. Thatcher's "Is it not better to leave the family with enough of its own money to keep its own children, rather than first take it away in income tax and then to compel the family to suffer the indignity of applying for means-tested benefit such as school meals?"

## Tax bias

Anyone who regards these exchanges as mere election-year platitudes should consider the underlying trends. Since 1969 the proportion of income paid in tax can be shown to have risen much faster for households with children than for those without, if one includes cash and social security benefits and employees' national insurance contributions in the computations. During the period 1969 to 1975 the sector which suffered the greatest rise was "households with two adults and two children" — the archetypal family. The average



proportion of income, adjusted for cash benefits and contributions, paid in direct tax by these two-child families rose from 9 per cent. to 20 per cent. New work on the relevant statistics has just been completed by Muriel Nissel, a former editor of the Government Statistical Service's *Social Trends*, and now a senior fellow of the new Policy Studies Institute, formed from the recent Centre for Studies in Social Policy. This study, published as Working Paper No. 1, shows how remarkably biased against the family our system of taxation and benefits has become.

Muriel Nissel starts with the newly-fashionable and admittedly imperfect method of using "adult equivalents" to measure the different standards of living of different families or households. As she puts it, "a married couple with two children

relying on two earners to bring in a net income of £4,000 does not have the same standard of living as the same family with the same income and only one earner." One might add that children cost more at one stage of their lives than another. A young childless couple may have a different expenditure pattern from a retired couple. The chart shows one result of an attempt in her PSI paper to allow for both the family cycle and the notion of adult equivalents — the latter by using as a broad guide the current Supplementary Benefit differentials (one adult = 1; two adults = 1.6; two adults plus two children = 2.4 and so on). "These calculations are admittedly very rough and ready but they are sufficient to bring home the point that the income available to individuals in households varies considerably at different stages of the

benefits are of much greater importance than income from on all this, Mr. Healey has increased Child Benefit, which is not taxed, from £1 for the first child and £1.50 for the rest to £2.30 to £3.00 for each child. A further increase, to £3, is due in November and another, to £4, a child, next April. Even if the concurrent phasing-out of child tax allowance is taken into account, the net effect of this exercise is a substantial switching of funds towards mothers' purses. But the overall effect, for different households and "adult equivalents" at different points on the income scale, has yet to be seen.

## Public opinion

"It is clear from these charts relating to 1976 and from analysis of the trends going back to the 1960s that family policy as implied in Government legislation has not favoured families with children," comments Muriel Nissel. "Why has this come about? One of the influences has probably been the fear of overpopulation. Public opinion lags behind the facts and the implications of the fall in the birth-rate in the UK since the mid-1960s have only recently been appreciated."

Like the Prime Minister, she notes the large increase in the number of women working outside the home as another factor contributing to "the pressures against the family." More than a quarter of women with a child aged under five and at least half of those with the youngest child at primary school are now employed, as can be deduced from calculations by Peter Moss of the Thomas Coram Research Unit. The tax system encourages them to do this, particularly when the husband's income exceeds the standard rate. It is as if a positively anti-family policy had been consciously devised. It is too soon to calculate

the effect of the recent Budget on all this. Mr. Healey has increased Child Benefit, which is not taxed, from £1 for the first child and £1.50 for the rest to £2.30 to £3.00 for each child. A further increase, to £3, is due in November and another, to £4, a child, next April. Even if the concurrent phasing-out of child tax allowance is taken into account, the net effect of this exercise is a substantial switching of funds towards mothers' purses. But the overall effect, for different households and "adult equivalents" at different points on the income scale, has yet to be seen.

What does seem likely is that the recent Budget alone will not suffice to reverse the long-term trend. There has been a small upsurge in the number of births this year, but we are still below "replacement level" and it remains to be established whether any return of popular confidence in the economy will be accompanied by a rise in the birth-rate, as it has been in the past.

In the short run, and particularly during an election year, there is no difficulty in working out the obvious policy for both Government and Opposition. Both sides will express concern for the family: both will indicate their intention of lowering taxes — or raising benefits — and both will no doubt collate their various health, education and housing policies into neat brochures entitled "Our programme for the family," or some such.

In the real world, however, none of this is enough. A transfer of resources to families with children means a transfer away from others. Single people and childless couples also have votes. Again,

a conscious pro-natalist policy (in the French spirit) may seem justified, but it may turn out to be another example of Government tangling with a natural social cycle and losing. And a change in the balance of taxation and benefit designed to encourage mothers of very young children to stay home and look after them may encourage the movement for the equality of women.

As one who supported this "liberation" movement in its modern form even before its most recent resurgence in this country, I still cannot help thinking that everyone would be better off if such mothers did refrain from taking jobs. The very well-off can perhaps manage with nannies; the majority simply do the children down. The increasing propensity of women to work in all sectors in the economy is welcome, yet it is surely one of the causes of the rise in unemployment in the West — and, for the most part, this has to be accepted as the inevitable concomitant of a major social change.

Transferring income to mothers who look after toddlers might, however, in the end mean fewer people out of work as well as happier families. This has nothing to do with the rest of the army of women who work: just that small segment, for one segment of their lives. Such an element in a "family policy" might be deemed in predictable quarters, but it would not necessarily be unpopular.

By Joe Rogaly

\* Taxes and benefits: those redistribution help the family. By Muriel Nissel of the Policy Studies Institute, available from 25, Doughty Street, London, WC1N 2LS. The Family and Unemployment by Peter Moss, Thomas Coram Research Unit, June 1977.

## Letters to the Editor

### The housing debate

From the Director, Shelter.

Sir, — Anthony Harris is absolutely right to call for the early publication of the result of the Review of the Rent Acts (May 18).

I cannot, however, agree with his unquestioning acceptance of the current orthodoxy on the effects of the 1974 Rent Act and the need for decontrol. When security of tenure was extended to furnished tenants in 1974, the percentage of homeless families coming from the private rented sector fell from 28 per cent. of the total to 18 per cent. in the space of one year. When security of tenure was relaxed in 1987, the percentage of homeless families made homeless by landlord action rose from 4 per cent. in 1987 to 22 per cent. in 1988.

It is often argued that the 1974 Rent Act has dried up the supply of private rented accommodation. But the best available official statistics show no increase in the rate of decline of the private rented sector following the 1974 Act. Significantly, the period in which there has been a major acceleration in the decline of the sector has been immediately after the partial decontrol of 1987.

Mr. Harris also appears to be arguing in favour of the rent review. Yet as Camden's Director of Housing pointed out recently, 40 per cent of Camden's families have a net weekly income which is less than the market rent of the most modest flat available in Camden. Shelter hopes that the Review of the Rent Acts will lead to a major simplification of the present law. This does not mean that we should unthinkingly accept policies of decontrol which past experience shows will lead to a drying up of the private rented sector and a dramatic increase in homelessness. Neil McIntosh, Shelter, 25, Waterloo Road, SE1.

### Technology and plastics

From Mr. J. Dingle.

Sir, — Noting that the plastics industry is international, your report (May 18) recommending that older, less efficient plants should be shut down, and less efficient producers should get out of the market if the plastics industry's structural problems are to be solved.

The time must be imminent, when the operating level of production technology transferred to "developing" countries (including the Comoros bloc whose sales under "buyback" contracts apparently contribute to the plastics industry's malaise) will be more advanced than the typical level of technology operated by West European producers. It would then not be unreasonable to suppose in a technology-based industry like plastics, the latter would be relatively the less efficient producers. Who then should get out of the market? John Dingle, Suite 1, Harcourt House, 80, Litchfield Square, W1.

### House buying in Scotland

From the Secretary The Law Society of Scotland.

Sir, — I am indeed grateful to Mr. S. P. Best for carrying the lag for Scotland in regard to solicitors' property centres in Scotland (May 18). It has always

solicitors to sell property and it has only been within the last 20 years that any serious inroads into this particular aspect of business have been made by estate agents. The public in Scotland still, I think, accept that solicitors are normally the people who sell property but estate agents are now operating here quite extensively and their methods have shown them to be acceptable to the public.

Scottish solicitors felt therefore, that a new and different method of selling property had to be considered and approximately seven years ago various facilities (local law societies) established solicitors' property centres. These centres have particularities of all the properties which solicitor members in the area are selling at the time. A schedule of particulars is completed by the selling solicitor and put into the appropriate register in the centre. A prospective purchaser can get a copy of this schedule from the centre, and make immediate arrangements to view the house. The property centre does not, as such, sell the property. This is done by the vendor's solicitor. Mr. Best very properly points out that the sale of houses in Scotland is effected by way of a binding contract more quickly than in England. It is for this reason that, at a very early stage, a prospective purchaser consults a solicitor who will make on his behalf all the preliminary enquiries and the necessary arrangements for finance and so on as soon as possible.

As Mr. Best says, the property centres have been set up to be successful and to be appreciated by the public by reason of the fact that some £55m worth of domestic property was sold through them during 1977. I must, however, correct the impression given by Mr. Best that this service is carried out for the sum of £10 and that the total sale fee for property centres require to meet their overheads and do so in two ways. Certain centres charge their members a flat rate regardless of the number of houses they place on the centre's registers in any one year. Others, and I think this is the method to which Mr. Best is referring, make a charge in respect of each property entered in the registers. This charge varies from centre to centre, is in the region of £5 to £10.

I have already said, however, that the solicitor is responsible for the sale and is entitled to charge his client a commission for his services. The maximum commission rate in Scotland is 1 per cent but normally this is reduced to 1 per cent or less. The property centre charge is really similar to the cost of a newspaper advertisement and is recovered from the client as an outlay on his behalf.

K. W. Pritchard, PO Box 75, 25 Drumshough Gardens, Edinburgh.

### USAF regulation and Greenham

From Mr. P. Jones.

Sir, — The reason that many of us in Newbury are opposed to the reactivation of Greenham Common Airbase is very simple. We believe that a large unsuitable population is a totally unsuitable location for a military airbase. Explanations of its possible strategic importance would not persuade us to drop our opposition. I have yet to hear that voiced in this town.

At Greenham Common extension urban development has been allowed to take place in areas around the base that would be exposed to intensive noise and

the USAF is aware of this development then its choice of Greenham Common is very difficult to understand. There is ample evidence to show that the USAF considers that urban development close to a base seriously impairs its operational capability because of pressure from the public.

This evidence is to be found in the policy adopted by the USAF in 1972 and designed to protect the operational capability of its U.S. bases from urban encroachment. The ideas behind this policy are set out in Real Property Management Regulation (AFR-87-14) with the title "Air Installation Compatible Use Zone. Protection of Air Bases Against Urban Encroachment." Briefly the hazard and noise zones around an airbase are identified and this information is provided to local authorities who use it to control development. No such control has been exercised at Greenham Common because neither the USAF nor the Ministry of Defence has provided the necessary information. In need, MoD has led us all to believe that Greenham Common would not be reactivated except in an extreme emergency.

To be charitable, one can only assume that the USAF did not know the extent of urban development at Greenham Common. But now it does, and if it really believes in the principle embodied in its regulation, it should withdraw its application to reactivate Greenham Common and look elsewhere.

Philip J. Jones, Armorer, Byron Close, Newbury, Berks.

### Accounting and inflation

From Professor D. Myddelton.

Sir, — In his letter of May 19 Mr. S. W. Farmer implicitly accepts my "reckless" assertion that current cost accounting has nothing to do with inflation. So if we want to report inflation's effects on business performance we cannot rely on the self-styled "Inflation Accounting Committee," which said: "In our opinion CCA is a fully comprehensive method of accounting for inflation." (Nor can we follow Mr. Morphet's Steering Group, which was told to base its proposals for ED 18 on Sandilands, or Mr. Hyde's interim guidelines," which continue to propagate CCA).

Of course, firms may need to consider how to finance future activities, including possible "replacement" of some assets. But in an accrual accounting system "profit" is not the same thing as "cash"; nor is accounting for the past the same thing as providing for the future. No doubt there are arguments in favour of CCA. So there are in favour of using specially thin paper in annual reports, or clearing the head office windows once a month. But none of them has anything to do with inflation accounting. Since the pound has lost about two-thirds of its internal purchasing power in the last ten years, it seems clear that we do need some way of accounting for inflation.

Having misunderstood the constant purchasing power philosophy, Mr. Farmer not surprisingly finds his own version of it "ridiculous." I agree that calculating a suitable "general index" of prices is not easy in practice; but, as Mr. M. P. Speer advised recently, accountants may need to develop a greater tolerance for imprecision. A general index of UK prices showing 1968=100; 1978=300 seems more appropriate in accounting for inflation than the implied Sandilands/CCA general index showing 1968=100; 1978=

Let me finally try to answer Mr. Farmer's questions about CPP gains on monetary liabilities. Money interest rates are likely to be higher with inflation than without it (though anticipation may be wrong). CPP credits, the profit and loss account with "monetary gains" arising from a fall in the "real" (constant purchasing power) value of monetary liabilities in the period in which the change in purchasing power occurs. These are the net CPP expense in respect of borrowing (money interest less monetary gains) correctly reports the "real" cost of borrowing. The separate question whether a firm makes a "real" profit or loss on its investment of funds borrowed is of course, also important.

There is no need to wait for the money liability to be repaid. Thus CPP would reckon the British government's 1977 "monetary gain" from debasing the currency, in respect of a nominal £240m. of irredeemable securities, at about £400m. (in December 1977 pounds).

If during an inflation the money prices of a particular firm's output do not change, then in "real" terms those prices are falling. This phenomenon, now familiar to every wage-earner, is properly revealed by CPP; but not by CCA, which does not provide meaningful comparisons over time. D. R. Myddelton, Cranfield School of Management, Cranfield, Bedford.

### Fleet Street's troubles

From the Director, Aims for Freedom and Enterprise.

Sir, — The title of Max Wilkinson's excellent article on Fleet Street (May 18) quite appropriately uses the phrase "The bizarre troubles." My complaint would be that there is even more bizarreness in Fleet Street than meets the acute eye of Mr. Wilkinson. One very serious result is the ultimate prospect of state and therefore political, investment in newspapers. Bizarre events not recorded by Mr. Wilkinson include the ghost shift, the growing habit of deliberate mistakes in punctuation in order to gain additional payments and censorship. Plus, of course, the kind of pressure that led the National Union of Journalists to expel one of its members quite recently for daring to appear in advertisements for D. C. Thomson, the non-union newspaper publishers. That, in my personal experience, has alarmed a number of newspaper people — which was no doubt its design.

In addition we have the bizarre situation of the incredibly poor reporting by Fleet Street of its own facts. This even led to the non-publication of a Hansard recording a House of Lords debate on Press freedom for something like 10 days, without a mention of this appearing in the Press.

Britain is probably unique with Japan in having mass circulation papers. There would be no great problem if British national newspapers went bust and we saw a growth of provincial papers on decentralised European and American lines. The big danger is that in the next few years we will have some bankrupt national papers and a government rushing in, at the behest of the unions, to make a new killing for the National Enterprise Board and that has some political repercussions that will be very unpleasant indeed. For the Government that pays the piper will be tempted to call the tune. Michael Ivens, 5, Plough Place.

## GENERAL

Provisional unemployment figures for May.

Publication of Government White Paper on industrial democracy.

The Queen continues State visit to West Germany.

United Nations special disarmament conference opens in New York (until June 28).

Finance Ministers of Organisation of Oil Exporting Countries (OPEC) meet in Vienna.

First of six monthly gold sales by U.S. (each of 500,000 ounces) in effort to re-establish stability of the dollar in foreign exchange markets. Monthly gold auctions by International Monetary Fund expected to continue as scheduled.

Three-day meeting opens in London of British Soviet Joint Commission for Co-operation in Applied Science, Technology, Trade and Economic Relations.

Mr. Peter Shore, Environment Secretary, speaks at Foreign Press Association lunch, 11, Carlton House Terrace, SW1.

Mrs. Shirley Williams, Education Secretary, addresses Hamilton by-election meeting.

Conservative Women's conference opens, Central Hall, Westminster (until May 24).

Exporting seminar, organised by Westminster Chamber of Commerce and Barclays Bank International, Cafe Royal, W1.

Royal Society for the Prevention of Accidents conference and exhibition opens, Harrogate Exhibition Centre (until May 25).

Audio Visual Exhibition opens, Wembley Conference Centre (until May 26).

PARLIAMENTARY BUSINESS

House of Commons: Remaining stages of Home Purchase Assistance and Housing Corporation Guarantee Bill. Motion on European Communities (Definition of Treaties) (No. 4) Order.

House of Lords: Wales Bill, second reading.

Select Committees: Nationalised Industries (sub-committee A). Subject: Innovations in rural bus services. Witnesses: Association of County Councils (4 p.m., Room 81, Joint Committee on Statutory

## Today's Events

Instruments (4.15 p.m., Room 4).

OFFICIAL STATISTICS

New vehicle registrations (April).

COMPANY RESULT

Muirhead (half-year).

COMPANY MEETING

Anchor Chemical, Manchester, 11.30.

Bridon, Chattered Accountants' Hall, Moorgate, EC 12.

British Printing, 20, Aldermanbury, EC 12.

Fisons, Dorchester Hotel, W.

Williams, Manchester, 3, Trientrol, Abercorn Rooms, EC 12.

Websters Publications, Winchester House, EC 12.

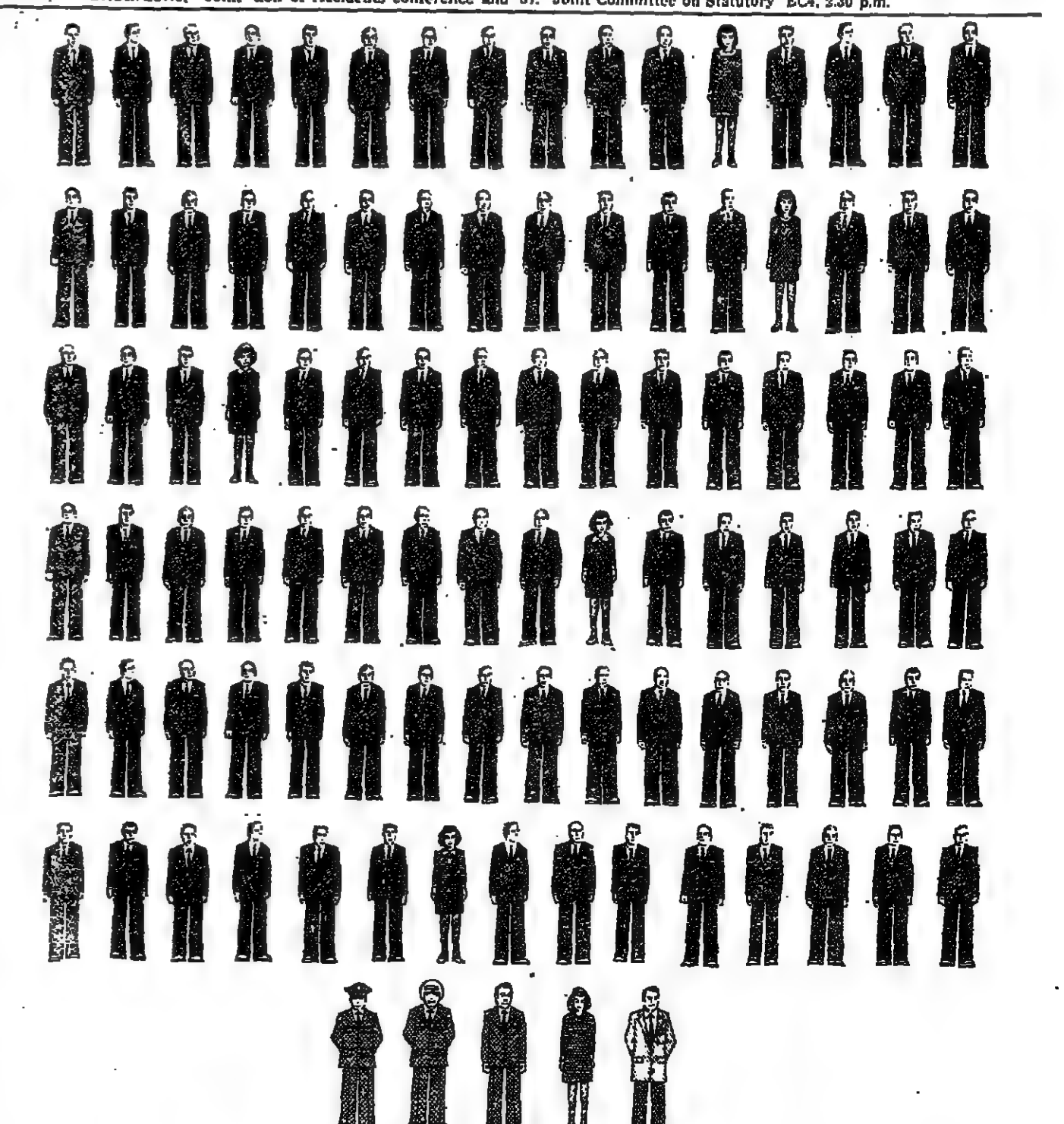
York Trailer, Northallerton, 12.

SPECIAL SERVICE

Annual services of the

Skinners' Company, St. Mary

Alderman, Queen Victoria Street, EC4A, 3.30 p.m.



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# COMPANY NEWS+COMMENT

## AMC marginally off in first quarter

TAXABLE profits of Amalgamated Metal Corporation for the first quarter of 1978 are slightly down on the exceptionally good result for the corresponding period of last year.

Reporting the fall from £2.74m. to £2.66m the directors say that in the first quarter of 1978 the company's performance was satisfactory and that the industrial sector continues to show improvement. Metal trading results from the terminal market business are satisfactory but physical trading activity still reflects the poor markets experienced in the past three successive quarters and the directors feel this will continue in the current year.

After an exceptional loss of £1.5m. profit for the last full year totalled £6.12m.

First quarter earnings per £1 share are shown at 11.8p, compared with 18.4p before last year's extraordinary items and 17.5p after.

Three months	1978	1977
Group turnover	3,000	3,000
Profit before tax	2,660	2,740
Tax	1,140	1,120
Minority loss	40	40
Extraordinary debit	41	41
Net profit	772	1,540

### comment

Strong performance by AMC's Malaysian tin smelting subsidiary and its diversified industrial interests enabled it to record first quarter pre-tax results only marginally down on the comparative figures in 1977. But increased taxation—due to shifts in the group profit contribution mix—and an increase in minority interest—reflecting the strong performance by the 30.5 per cent. controlled Dutak Keramat Holdings—meant that the net earnings were 31 per cent. down on last year's first-quarter figure. The other significant factor in the latest first-quarter performance is an improvement by the steel fabricating and merchant operation. In 1977 this sector contributed a loss of almost £1m. It is still not clear whether or not losses were continuing but there were indications that the improvement was being maintained.

### Fashion and General Inv.

Profits of Fashion and General Investment rose from £184,044 to £141,333 in the year to March 31, 1978, subject to tax of £40,478 against £31,234.

Earnings are shown at 6.1p (5.3p) per £1 share and the dividend is raised from 4.2p to 4.8p net, with a final of 3p.

### INDEX TO COMPANY HIGHLIGHTS

Company	Page	Col.	Company	Page	Col.
Amalgamated Metal	24	1	McCaig Motors	25	4
Averys	24	3	Millard Docks	25	4
BSG International	26	3	Outwich Inv. Tst.	24	2
Compton Webb	25	1	Scottish Northern	24	5
Dupont	24	6	Short Brothers	24	5
Fashion & General	24	1	Usher-Walker	24	5
Greenall Whitley	24	3	Vickers	24	3
Hancock Shipbuilding	24	6	Winchmore Inv.	24	6
Helene of London	24	4	Witan Inv. Tst.	24	2
Laporte	25	1	Wormalds Walker	25	4

## Outwich Inv. Trust at £1.56m

TAXABLE REVENUE of Outwich Investment Trust climbed from £1,241,990 to £1,564,661 in the March 31, 1978 year. The result is subject to tax of £365,386 against £499,979.

There is also an exchange credit of £2,637 compared with a £22,767 debit last year. Earnings per £1 share are shown at 1.56p (1.44p) and net asset value per share at 84.4p (39p).

The final dividend of 1.023p net takes the total from 1.263p to 1.325p.

## Witan Inv. earns and pays more

AVAILABLE earnings for the year to April 30, 1978 of Witan Investment Company came out £0.31m higher at £2.08m and the dividend is stepped up from 1.9p to 3.3p net per £1 share with a final of 1.3p.

Gross income for the year was ahead from £4.86m to £5.03m and the available earnings were £1.1m after tax of £1.21m against £1.03m. Earnings are shown as 2.44p (1.84p) per share.

1977-78	1978-79
Gross income	5,030,000
Minority charges	1,270,000
Management expenses	400,000
Interest	1,210,000
Earnings available	2,080,000
Minority dividend	1,540,000

As at April 30 investments totalled £155.35m (£110.19m), net assets £2.08m (£1.03m), net current assets and deferred tax

£6.98m (£8.65m) and debenture stocks and currency loans £27.26m (£27.67m). Net assets per share are shown as 123p (108p) taking current loans and debenture stocks at par. Investment currency premium per share is given as 18.9p (14.2p).

## Further growth for Averys

FURTHER GROWTH in turnover and profit is expected at Averys in 1978. Mr. R. C. Hale, the chairman, says in his annual statement.

The level of outstanding orders is generally satisfactory despite the depressed level of the industrial economy in the UK and elsewhere, he says.

Home demand, particularly in the retail market continues to be good but overseas orders reflect the state of world trade and show little growth despite strong promotional efforts.

UK manufacturing facilities of the weighing, testing and measuring machines group will continue to be enlarged and developed in 1978.

In 1977 pre-tax profit advanced from £14.67m to £15.4m.

As reported on April 19 pre-tax profits for 1977 increased by 43.1 per cent from £8.81m to a record £12.6m on turnover ahead by 34.9 per cent to £11.53m. And the dividend is stepped up from 0.695p to the maximum permitted 0.670p.

In the balance sheet there is a liability of £475,000 due to vendors of subsidiaries. The directors intend to satisfy this by an issue of 300,000 of the 12 per cent convertible redeemable cumulative preference shares 1979-80 of £1 each, subject to shareholders' approval.

Meeting, Barmston Hotel, W. June 23 at noon.

PRE-TAX PROFITS of Greenall Whitley and Co. were ahead by 17.4 per cent for the 26 weeks to March 31, 1978, to £4.97m compared with £4.24m for the same period to March 25, 1977. Turn-

over was up by nearly £11m to £61.76m.

On reporting the full 1977-78 year's record pre-tax profit of £10.18m, Mr. C. J. R. Harton, the chairman, said that he was optimistic that the group would continue to increase its market share of beer sales. He now says that beer sales volume continues to grow and indicates a further increase in the market share, but this was not fully reflected in the results, due to rising costs.

Wines and spirits, and soft drinks, had a satisfactory half year, he adds, and retailing activities, especially hotels, "have done particularly well."

Stated earnings per £1 share are shown as 4.58p (4.25p) for the half year, and the interim dividend is raised from 1.209p to 1.330p net—last year's final was 1.412p.

Mr. M. BURNEMAN, the chairman of Helene of London is optimistic about prospects for 1978 and he has every confidence in the future of the company.

He says the financial position of the company remains very sound and liquidity is at present at an exceptionally high level, which will facilitate the continuation of the group's expansion policy. As at December 31, 1977 net liquid funds increased by £1.97m (£0.53m).

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Mr. Richard Ringwald, chairman of Laporte Industries (Holdings), who tells members in his annual statement that all the signs point to continuing low demand.

### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding year	Total for year
Greenall Whitley	1.33p	July 22	1.21p	2.62p
McCaig Motors	1.33p	June 30	1.25p	2.62p
Millard Docks	1.33p	July 3	1.25p	2.62p
Outwich Inv. Tst.	1.33p	June 27	0.95p	1.33p
Stockholders Inv.	1.33p	July 14	0.95p	1.33p
Winchmore Inv.	1.33p	July 7	1.25p	2.62p
Witan Inv.	1.33p	July 21	1.1p	2.33p

Dividends shown pence per share net except where otherwise stated.

\* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Total of 2.33p forecast.

## Short Bros. blames poor productivity for loss

SIR GEORGE LEITCH, chairman of Short Bros. reports that poor productivity was one of the main factors which caused a pre-tax loss of £3.3m in the year ended August 31, 1977.

The loss, just below the previous year's £3.5m, was incurred on turnover of £36.6m (£28.8m).

Sir George says that Short's, which is now fully Government owned but outside the nationalised aerospace group, was unable to introduce bonus incentive schemes during phases one and two of pay policy.

However, under Phase Three a settlement was reached with manual workers within the 10 per cent guideline and a self-financing productivity scheme was agreed. This is already proving effective and is resulting in a marked climate.

The operating loss rose from £1.9m to £2.9m. Added to this was interest on loans of £1.1m and design and development expenditure of £1.3m. The total net loss was £4.8m (£3.4m).

Turnover was divided between £11.5m in home markets and £25m from export sales. Of the total, missile sales and servicing £7.6m (£6.1m), and engine podding and aircraft components £12.9m (£13.4m).

The chairman is optimistic about future aircraft and missile sales and he says there were "encouraging signs." Prospects for the SD3030 computer aircraft and the Blowpipe missile are good and the improved industrial relations are expected to be maintained.

However, within the last two weeks a dispute involving 1,500 white collar staff has threatened to hit production and there are no immediate signs of this being resolved.

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The operating loss rose from £1.9m to £2.9m. Added to this was interest on loans of £1.1m and design and development expenditure of £1.3m. The total net loss was £4.8m (£3.4m).

Turnover was divided between £11.5m in home markets and £25m from export sales. Of the total, missile sales and servicing £7.6m (£6.1m), and engine podding and aircraft components £12.9m (£13.4m).

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## ISSUE NEWS AND COMMENT

## 70p cash return in W.N. Sharpe scheme

W. N. Sharpe, the Bradford based greetings card company, has announced proposals for a restructuring of its capital which will give shareholders a 70p cash payment for every share they hold.

This will result in the distribution of about £3m cash to shareholders.

In the last accounts Sharpe showed holdings in Government securities and quoted investments with a market value of £4.88m. The majority of these investments will be sold to finance the cash payment.

News of the scheme coupled with a jump in the dividend payout sent the Ordinary and "A" shares 25p higher to 200p in the market.

The terms of the scheme are that under Section 206 of the Companies Act shareholders will receive one Ordinary of "A" non-voting share in a new holding company in place of existing holdings plus a cash payment of 70p per share.

The company has built up substantial cash resources over the years from its trading activities and cash and investments accounted for 45 per cent of the company's net tangible assets in the last accounts.

Last night a spokesman for the company said that the directors had contemplated diversification but concluded that the company should stay in the area it knew and reward shareholders with some of the company's accumulated cash.

The directors are not big shareholders in their own right. In all they probably account for less than 6 per cent of the total capital.

Institutions hold about a half of Sharpe's equity.

Sharpe's directors intend to pay an interim dividend on July 27 equal to 2.69p gross per ordinary or "A" ordinary share. This dividend would be equivalent to 1.17p net.

The National Enterprise Board applied for 838,068.322 shares and the remaining 58,996,021 shares will be subscribed for by the NEB under a scheme of its underwriting agreement.

At the end of the day the NEB will hold 1,144,55m shares in Leyland—88.9 per cent of the capital. Leyland shares closed 1p lower in the market at 24p.

offer. The underwriters are likely to end up with some of the stock unless the gilt market makes a sharp rise between now and Thursday.

The application list opens on Thursday for a £3m issue of stock by Barnett Corporation.

The issue is of 121 per cent Redeemable Stock 1987 at 58p net per share, plus a 10 per cent on application with £40 per cent on July 4 and the balance on August 28.

Interest on the stock is payable half-yearly on June 1 and December 1 with the first payment next December equal to £0.0307 less tax per cent.

The stock will be redeemed at par on June 1, 1987.

Proceeds of the issue will be used to replace temporary borrowings to meet capital expenditure pending the raising of loans, to redeem other loans and to make authorised capital expenditure.

Applications must be for a minimum of £100 at stock or in multiples of £100 for applications up to £1,000. Larger applications must be in accordance with the following scale: above £1,000 up to £5,000 in multiples of £500; above £5,000 and up to £20,000 in multiples of £1,000 and above £20,000 in multiples of £3,000.

Brokers to the issue are J and A Scrimgeour.

comment

Barnet's terms look very tight. At the issue price of 58p net the redemption yield is 12.628 per cent and the running yield is 12.6 per cent. Though slightly longer dated, Barnet's issue will be compared with the last two unsuccessful offers, Greenwhit and Tyne and Wear. The redemption yields on these two are around 12.6 and 12.6 per cent respectively. So the price of Barnet does not make it a particularly attractive issue although there is only £5m on offer.

In conjunction with the placing they forecast that, unless prevented by any controls in force after current dividend controls expire, they will recommend a total gross dividend in respect of the year to end July 31, 1978 equivalent to 3.73p per share—an increase of 25 per cent.



Financial Times Tuesday May 23 1978

## Low demand continuing to affect Laporte

FOLLOWING THE sharp downturn in the second half of 1977, Mr. Richard Ringwald, chairman of Laporte Industries (Holdings) tells members that at present there are few signs of material improvement in the first half of the current year.

The outlook for 1978 as a whole will depend mainly on the world economic situation and trading conditions. Mr. Ringwald reports that so far this year all the signs are pointing to continuing stagnation of demand which was particularly flat in Europe and Japan at the end of last year.

The outlook in the U.S., where output remained at a reasonable level throughout most of 1977, is now also uncertain, he says. In the year ended January 1, 1978, two significant factors more than account for the reduction in profit from £15.8m to £10.2m. These were intensified competition in the titanium dioxide market leading to reducing prices, and the strengthening of sterling.

There are now signs of hardening titanium dioxide prices and sterling has eased against the dollar.

These trends, if maintained, should exert a beneficial influence on the 1978 results. The chairman explains that the worsening market conditions for the sale of titanium dioxide on world markets proved to be more severe than indicated at the interim stage. International makers of titanium dioxide are trying to maintain tonnage in a stagnant, or in some areas reducing, market created an environment of falling prices. Export prices dropped sharply and this was coupled with weak demand in general all other product

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY	
Interim—Thomas Borthwick, K. Shoes, Warrhead, Pictorial (Scarborough), North National Glass, Scottish National Trust.	
Finals—Advance, Landmark, Ambrose Investment Trust, British and American Film Fine Art Developments, Bunting Associated Industries, Leisure Caravan Parks, Transpacific Paper, Waco Group.	
FUTURE DATES	
Interim—Allford Properties	May 24
Marley	May 25
North British Steel	May 26
Plesman	June 1
Finals—Caledonian Properties	May 26
Crisis and Rose	May 28
Crowther (John)	May 31
Dunelm	June 1
Dykes (J.I.)	May 28
Manchester and London Inv. Tr.	May 29
Polysar	June 1
Royal Electronics	June 2
Tanganyika Holdings	June 7
Unilever	June 8
Westwood Investment Trust	June 8

groups performed well and the overseas interests had another good year despite demand which was not buoyant. The chairman feels that a considerable part of the group's future growth and progress will result from the further development of this business.

The group has embarked on a heavy investment programme which will continue during 1978 and this is supported by significant expenditure on research and development. The amount of expenditure approved and outstanding at January 1, 1978, amounted to £4.7m.

Group sales in 1977 showed an increase from £86.5m to £102.4m. UK sales increased by 18 per cent to £54.2m while export sales went up by 25 per cent to £33.2m. The attributable share of sales of the principal Interco companies amounted to £49.1m against £44.5m.

The chairman points out that the volume of export sales from the UK increased by 16 per cent but due to competitive pressures and the rise in the value of the pound, net export prices were only 7 per cent higher than those of the previous year.

On the basis of ED 18 with the application of appropriate indices for chemical plants it is now estimated that the net current replacement cost of the fixed assets of the Laporte group is £140m compared with a net book value of £38m based on historical costs. The attributable share of the principal Interco companies is estimated at £38m compared with £12m based on historical costs.

The pre-tax profit adjusted in accordance with the Hyde guidelines is shown at £6.18m (£5.53m) after additional depreciation of £2.6m (£1.82m, cost of sales adjustment £1.79m (£4.24m), less gearing adjustment £408,000 (£450,000).

At the year end there was an increase in cash resources of £3.12m (£3.77m decrease).

At April 22, Solway and Cie held 19.6 per cent of the equity, Solway UK 5.39 per cent and Ministry of Finance Government of Kuwait 6.48 per cent.

Meeting, 20, Aldermanbury, EC, June 15, at noon.

## Milford Docks slumps

INCLUDING AN exceptional credit of £29,720 compared with £30,102, pre-tax profits of Milford Docks Company for 1977 slumped from £136,002 to £14,777. At midway, before exceptional items, the decline was from £39,547 to £2,007.

Tax for the 12 months took £6,837 against £73,500 and the dividend is held at 2.86p net, costing £20,904. Accumulated profits stood at £312,195 (£323,159).

A professional valuation of the group's dock structures and land and buildings carried out at the end of last year amounted to £1.82m to show a surplus of £777,000 over the book values of these assets of £1.11m, excluding the oil tanks having a net book value at December 31, 1977, of £28,358, and before taking account of any taxation which would be payable on disposal.

## McCairns just ahead at halfway

On turnover up from £3.79m to £7.28m, pre-tax profits of McCairns Motors for the half-year to March 31, 1978, were just ahead to £286,949 compared with £277,974 last time, and the directors state that trading results for the second half should be similar. The company achieved a record £580,000 for the whole of the 1977-78 year.

Earnings per 25p share are 7.59p (7.65p) and the interim dividend is increased to 1.5p (1.25p) net—last year's final was 2.75p.

Net profit was £157,522 (£152,974) for the half-year, after tax £129,127 (£125,000). The company is a motor vehicle distributor.

## Wormalds Walker back to profit

A turnaround of £513,818 from a loss of £516,819 to pre-tax profits of £29,599 is reported by Wormalds Walker and Atkinson, woolen textile manufacturer, for the 52 weeks to February 25, 1978, on turnover down from £5.54m to £4.24m.

Stated earnings per 25p share are 3.03p compared with a loss of 16.42p and again there is no dividend, the last being a 1.675p final for the 1977-78 year.

The directors say that the profit on trading has been arrived at after crediting receipts from the temporary employment subsidy.

Tax took £1,900 (nil) and after an extraordinary credit of £133,456 (£108,953), representing surpluses realised on the disposal of certain fixed assets after tax, profit for the year came out at £229,255 against a loss of £409,368.

The increased capital will enable the company to expand its merchant banking, commercial lending and money market activities in Australia.

Meanwhile, shareholders in the finance company, Mutual Acceptances, have approved the previously reported allotment of 12m 50 cent par shares to Standard Chartered Bank at 85 cents each.

Standard Chartered's stake is increased to 51.98 per cent (54.88 per cent) and Mutual Acceptance's issued capital is up from 33m to 45m shares.

Both moves are part of the bank's continuing aim of diversifying into settled political areas such as Australia, it is stated.

# GILL & DUFFUS GROUP

## 1977—A Vintage Year

Summary of Results for the Year ended 31st December

	1977	1976	1975
Profits before tax	£m	£m	£m
Profits available for Ordinary Stockholders	20.4	13.4	7.9
Capital and Reserves	15.6	6.9	3.9
Dividends per Ordinary Stock Unit (net)	47.3	28.9	18.6
	8.712p	5.72p	5.20p

In his Annual Statement, the Chairman of the Gill & Duffus Group, Mr. F. M. Gill, reports:

1977, by any standards, proved to be a vintage year for the Gill & Duffus Group. Not only were we celebrating the Queen's Silver Jubilee, but also the company's 70th birthday. Paoli's 40th and Gill & Duffus in New York their 25th. It is a particular pleasure therefore, to present once again record results, indeed for the eighteenth consecutive year. Group profit at £20.4m. represents an increase of 52 per cent on the previous year.

Taxation has been provided in full on the profits of the year, but again this charge consists almost entirely of a transfer to deferred taxation. In this respect, the Board has decided that the provision for United Kingdom deferred taxation made in the 1976 Accounts relating to relief for stock appreciation will not be payable in the foreseeable future, and the sum of £5,131,000 has been released to the Profit & Loss Account. After taxation, minority interests, preference dividend and the adjustment referred to above, there remains a balance of £15,607,000 attributable to Ordinary Stockholders.

The Board recommends a final Ordinary Dividend of 4.752p per Unit making a total for the year of 8.712p and equivalent to 13.2p gross as indicated at this time last year (1976, 8.727p gross). The Board also recommends a one for one Scrip Issue to Ordinary Stockholders.

Gross profit retained, together with the proceeds of the successful Rights Issue in May, 1977, have resulted in a substantial increase in shareholders funds from £28.9m. to £47.3m. In the commodity world, 1977 will be

remembered as the year in which the prices of cocoa, coffee and tea rose to higher levels than ever previously recorded. The unprecedented rise peaked in the summer months, only to be followed by an equally dramatic decline in the latter part of the year.

In such conditions, it is noteworthy that all sections of the large industries involved, from production to distribution, and the futures markets used by them, came through without undue difficulties.

An outstanding year, like 1977, once again demonstrates the quality of the people we employ. After two such years, it would be easy to ask for a breather. However, merchant venturers do not stand still and there are already signs that 1978 is shaping well.

If you would like to receive a copy of the Annual Report and/or the descriptive booklet entitled "The Growing World of Gill & Duffus," please complete the following coupon:

To: The Secretary, GILL & DUFFUS GROUP LTD.,  
St. Dunstan's House, 201 Borough High Street, London SE1 1HW

Please send me a copy of

☐ The 1977 Annual Report and Accounts,

☐ "The Growing World of Gill & Duffus."

Name \_\_\_\_\_

Address \_\_\_\_\_

FT

## Compton & Webb expects to hold market share

ALTHOUGH CONDITIONS continue to be difficult, Lord Chelwood, the chairman, believes that J. Compton Sons and Webb (Holdings) will hold its own during the current year. Longer term prospects are very encouraging, he says in his annual statement.

Current domestic demand for uniforms remains slack and there is still no sign of an upturn but the group has fully retained its share of the reduced market and is well placed to expand production when it improves.

Concentration on improving techniques, standards and designs is aimed at gaining access to a more quality-conscious home market, especially that for structured garments, and the group is developing its export connections in Europe, Africa and the Middle East.

As known, pre-tax profits slipped from £2.58m to £1.82m in 1977 on turnover of £18.47m (£19.13m). The maximum permitted 1.506p net dividend is an indication of the directors' confidence in the company, which remains in a strong position, members are told.

Liquid funds were down £248,000 (£291m increase) at the year end.

Exports more than trebled, from £34,000 to £17.75m, and this largely made up for the 10 per cent fall in the value of the home market. However, exports still represent only about 10 per cent of turnover and the directors hope at least to double the figures in 1978.

Still competition for fewer orders at home from traditional

customers meant lower margins, says Lord Chelwood. Overcapacity, combined with the continuing recession at home and abroad, accentuated the problems of the uniform clothing industry.

There was strong continuing emphasis on improving quality and designs of uniforms, and the group spent close on £350,000 on new machinery and techniques.

The directors consider that the costs of replacement of plant and machinery in inflationary era would be the most significant factor affecting the group when considering the assessment of profits on the historic cost basis. Consequently the plant, machinery and buildings have been revalued in terms of current costs and their future life. After allowing for depreciation at realistic rates the net value of group's fixed assets has been assessed at £4.4m which represents an increase of £1.8m over the balance sheet figure.

The depreciation charge under the current cost convention for 1977 is assessed at £480,000, an increase of £210,000 as compared with the £270,000 shown in the accounts.

Meeting Quaglines, SW, on June 13 at noon.

RUGBY CEMENT

The directors of Rugby Portland Cement consider that the market value of group land and buildings, at end-1977 was at least £13m. In excess of the book value of £12.35m. The £80.35m stated in

yesterday's report is the total fixed assets.

In the reference to source and application of funds, the figures were transposed. At the year-end bank balances were reduced by £1.25m, compared with an increase of £3.53m.

Standard Chartered Australia

Standard Chartered Bank has increased the capital of its wholly-owned merchant bank unit from A\$1.5m to A\$5m and changed its name from Wallace Sassoon to Standard Chartered Australia.

The increased capital will enable the company to expand its merchant banking, commercial lending and money market activities in Australia.

Meanwhile, shareholders in the finance company, Mutual Acceptances, have approved the previously reported allotment of 12m 50 cent par shares to Standard Chartered Bank at 85 cents each.

Standard Chartered's stake is increased to 51.98 per cent (54.88 per cent) and Mutual Acceptance's issued capital is up from 33m to 45m shares.

Both moves are part of the bank's continuing aim of diversifying into settled political areas such as Australia, it is stated.

## It's what we've got behind us that puts us out in front.

When you fly with Group 4, you enjoy all the benefits private aviation has to offer. Plus a few others that the others can't provide.

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Ready to provide you with cars, communications, security services, local knowledge—whatever you need. Whenever you need it.

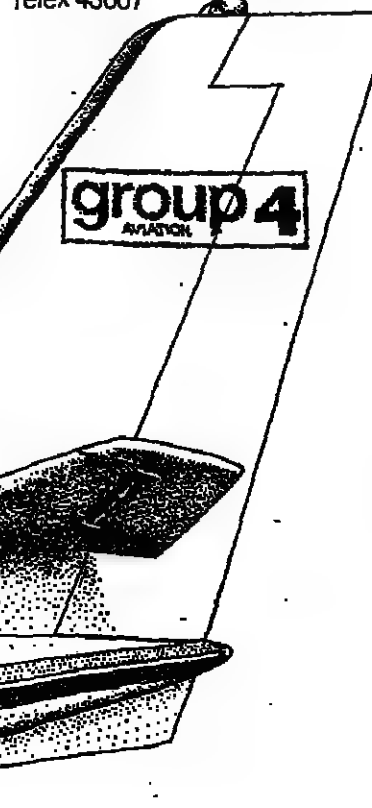
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# Vickers

## Compensation delay inhibits forward planning

Points from the Statement by the Chairman The Rt. Hon. Lord Robens of Woldingham PC DCL LLD and from the 1977 Report and Accounts.

- Overall profits of continuing businesses in 1977 maintained at 1976 level.
- Order intake of these businesses increased in real terms.
- Dividend increased to maximum permitted.
- Derisory payments on account of only £7m for the profitable shipbuilding and aircraft interests have reduced profits.
- £75m programme of reinvestment since nationalisation legislation initiated.
- Delay in receipt of fair compensation has forced deferment of Company's development plans.
- U.K. export orders on hand more than doubled from £35m to £84m.

### SUCCESSSES IN 1977 INCLUDED:

- Howson-Algraphy again achieved a very substantial increase in profits.
- U.K. Engineering Group increased profits for the seventh successive year.
- Broadly maintained profits from engineering in Australia and Canada.
- Advance in Roneo-Vickers profits in a difficult trading year.
- A successful year for Vickers Instruments.

Consolidated results for the year ended 31st December 1977

	1977	1976
Sales (Note 1)	£'000	£'000
	409,388	424,234
Consolidated trading profit (Note 2)	26,617	26,777
Investment income	273	221
	26,890	26,998
Interest payable less receivable	9,795	9,595
Consolidated profit before taxation	17,095	17,403
Share of profits of associated companies (Note 3)	7,966	20,896
Profit before taxation	25,061	38,299
Taxation	11,013	19,160
Profit after taxation	14,048	19,139
Minority shareholders' interest	1,393	1,194
Stockholders' profit before extraordinary items	12,655	17,945
Extraordinary items	(1,659)	(2,376)
Stockholders' profit	11,000	15,569
Dividends	4,675	4,222
Profit retained	6,325	11,347
Earnings per £1 of Ordinary Stock before extraordinary items	28.1p	40.2p

NOTES  
1 Includes Shipbuilding sales  
2 Includes Shipbuilding trading profit  
3 Includes share of profits of British Aircraft Corporation (Holdings) Limited

Copies of the Report and Accounts 1977 have been posted to Stockholders of the Company.

The 111th Annual General Meeting of Vickers Limited will be held on the 16th June 1978 at Millbank Tower, London SW1.

VICKERS LIMITED,  
VICKERS HOUSE,  
MILLBANK,  
LONDON SW1P 4RA









MINING NEWS

# Loans agreement helps new Afton mine

BY PAUL CHEESERIGHT

LESS THAN a month after it officially opened, Canada's newest copper mining complex in British Columbia, Afton Mines, has announced a financial restructuring which will save it the equivalent of 77 cents on every pound of copper it produces during the first year of operation.

The opening of the new mine in the first place was defiantly against the prevailing trend in the international industry where production cutbacks and mine closures have been frequent.

But Afton sells its blister copper output under a long-term contract to two U.K. groups, BICC and Delta Metal. On the assumption that the price received reflects London Metal Exchange values, Afton has been forced to find ways of reducing costs.

The effect of the financial restructuring is to lower interest charges by \$3.9m a year. The interest rate on its loans will fall by 4.15 per cent.

## McIntyre wants to diversify

McINTYRE MINES, the Toronto group best known for its Smoky River coal operation in Alberta, continues to lose money on a consolidated net income basis but still achieved a positive cash flow in the 1978 first quarter, writes John Segenhuis from Toronto.

The net loss occurs after taking its 37.5 per cent share in Falconbridge Nickel into account. Falconbridge, the second largest of the Canadian nickel producers, is going through a lean period because of depression on the international metal markets.

The positive cash flow in the three months to March was C\$3m (£2.48m), compared with C\$3.4m (£2.6m) in the same period of 1977, and the group is continuing to pay a regular quarterly dividend of 25 cents (12.4p).

McIntyre is seeking to lessen its dependence on Smoky River and is engaged in exploration programmes seeking gold, silver, tungsten, molybdenum, tin, asbestos and copper. With joint venture partners it is expecting this year to pay out more than the C\$7.1m spent on exploration last year.

The group noted that the capital cost of putting precious metals, tin and tungsten properties into production was low compared with that for most of the common base metals.

**DOMESTIC EARNINGS MOVE UPWARDS**

Although failing to reach its published estimate, Domes Mines, the Canadian gold and tungsten group, has achieved a sharp rise in 1978 first-quarter earnings. Net

was first introduced, Dr. N. B. Keenly, the Afton president, said, "This potential saving in interest represents the single biggest cost saving available to the company and will add to its profitability."

The saving is achieved by the conversion of loan financing worth \$75m (£57.3m) from the Bank of Montreal and the Canadian Imperial Bank of Commerce to \$60m-worth of floating rate income debentures.

But the re-organisation goes further. Afton is to transfer half of its assets and liabilities to Teck Corporation, in exchange for the 50 per cent equity held by Teck. The idea of the exchange is to give the bankers stronger security.

The venture will still continue on a joint basis between Teck and Afton, however, and other shareholdings will not be affected. After the changes have been made—and this depends on the agreement of the shareholders—Teck will retain an indirect 30

per cent interest in Afton through Iso Mines. Iso would own 45 per cent of Afton and Teck holds 65 per cent of Iso.

## STEADY RISE IN GOLD OUTPUT

South African gold production rose in April for the fifth successive month, the latest statistics from the Chamber of Mines revealed. After four months, output this year is running 276,133 ounces ahead of the cumulative total over the same period of 1977 at 7,472,837 ounces. But output in 1977 was abnormally low. A combination of labour problems led to the lowest production for 18 years.

April production for all the gold mines was 1,355,598 ounces, an increase of 52,628 ounces over March. In April, 1977 output was 1,362,379 ounces. The last time that more than 2m. ounces was produced was in September, 1977.

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## BIDS AND DEALS

# Carding suspended on merger talks

BY CHRISTINE MOIR

SHARES of Carding Group, the Wolverhampton-based British Leyland motor distributor, were suspended yesterday because talks were in progress which might lead to a bid for the company.

The suspension price of 20p a share values Carding at £1.6m. In the Stock Market yesterday the Carding share price was considered the most likely bidder.

A year ago it made an unsuccessful attempt for Colmore Investments, the Birmingham Renault dealer, and has since sold the near 30 per cent stake it built up during the bid for £253,000.

In his chairman's statement in the last accounts Mr. Tom Cowie said: "The policy of expansion will continue, with prospective acquisitions being constantly explored."

Mr. Cowie was unavailable for comment yesterday and the company secretary, Mr. F. T. Billingham, declined to discuss the matter.

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220,840 ordinary shares taken at £11.1p per share. Routacare provides a service connected with office removals.

## Cooper Inds. sells steel scrap company

The steel maker and engineer Cooper Industries has sold its steel scrap subsidiary, C. C. Cooper to its associated company, Lloyd Cooper. The latter is a steel mini-mill owned jointly with F. H. Lloyd, which utilises largely scrap for its processes.

Yesterday Mr. John Cooper, one of the directors, explained that both partners believed that if capacity at the mini mill was to increase substantially it would need to control its own scrap supplies. Both Cooper and Lloyd will in future buy scrap from C. C. Cooper which is to be a wholly-owned subsidiary of the mini mill organisation.

Lloyd Cooper is paying £500,000 in cash for the assets of C. C. Cooper, which is to be sold at the last balance sheet date (April 30, 1977). At that time C. C. Cooper made pre-tax profits of just over £1m but since then its profits have been wiped out and the deal with Lloyd Cooper allows for a decrease in the price equal to the "trading loss" for the year to April 30, 1978.

In the meantime, output at the mini mill has been stepped up in recent months and is now running at between 55-60 per cent of capacity, up 20 per cent higher than in January. Margins are "excellent," according to Mr. Cooper.

Mr. D. J. Eldridge, chairman, said yesterday that a further announcement would be made as soon as possible. He declined to comment on a rumour that Mr. Lionel Altman is buying a stake together with some associates. But he did mention Emray's difficulty in expanding in its current condition.

It has not yet paid a dividend in the interim report the company said its business was "continuing to be affected by import licence, price control and exchange control restrictions in force in Zambia." Pre-tax profits in 1976 were £278,000.

**ASSOCIATES DEAL**

Last Friday, Rowe and Pitman, Hurst-Brown bought 1,000 Linford Holdings at 132p for a discretionary investment client.

**SHARE STAKES**

Automotive Products — The Foundation Fund holds 23,000 ordinary shares. Three of the directors of the Foundation—Mr. J. B. Emmott, Mr. M. Keeble and Mr. E. G. Barratt—are also directors of Automotive.

Strong and Fisher (Holdings) — May 5 the ITC Pension Trust jointly with the ITC Pension Investments were interested in 375,000 ordinary shares.

Philip Hill Investment Trust — Prudential Assurance's interest is 2,998,738 shares (8.3 per cent) on a par value of 2,998,737.

Idria Hydraulic Tin—Pangkalen holds 83,000 shares (8.64 per cent) having disposed of 10,000.

Metallux (Holdings)—The ITC Pension Trust jointly with the ITC Pension Investments hold 150,464 ordinary shares. The Courage Pension Fund holds 181,500 shares (registered in the name of Princess Street Nominees).

Laporte Industries (Holdings) — Kuwait Investment office sold on May 12 25,000 ordinary shares thereby reducing holding to 2,875,000 (8.21 per cent).

NFI Furniture Centres—A. C. Southon, Chairman, bought 10,000 shares on May 19 and N. A. V. Lister, director, bought 50,000 on same day.

Keyser Ullmann Holdings—25,000 shares held non-beneficially by C. M. Keyser were sold on July 24, 1977.

Proprietors of Hay's Wharf has acquired Rentacare (UK) for £50,100 satisfied by £100 cash and Trust—Energy Finance and

involved the purchase of the U.S. agency Richard K. Manoff and the one-for-one rights issue, has led to further changes in the major shareholdings in the company.

Yesterday it was learnt that Cunningham and Walsh, the major U.S. agency, has sold its stake in Geers to a group of institutions. Cunningham used to have 12 per cent of the shares, but did not take up its rights in January, so the sale yesterday would have involved 6 per cent of the equity.

**Emray having reorganisation discussions**

Shares of Emray, the overseas trader operating in Zambia, were suspended at the company's request yesterday at the Board is in talks which may lead to a "major reorganisation."

Mr. D. J. Eldridge, chairman, said yesterday that a further announcement would be made as soon as possible. He declined to comment on a rumour that Mr. Lionel Altman is buying a stake together with some associates. But he did mention Emray's difficulty in expanding in its current condition.

It has not yet paid a dividend in the interim report the company said its business was "continuing to be affected by import licence, price control and exchange control restrictions in force in Zambia." Pre-tax profits in 1976 were £278,000.

**ASSOCIATES DEAL**

Last Friday, Rowe and Pitman, Hurst-Brown bought 1,000 Linford Holdings at 132p for a discretionary investment client.

**SHARE STAKES**

Automotive Products — The Foundation Fund holds 23,000 ordinary shares. Three of the directors of the Foundation—Mr. J. B. Emmott, Mr. M. Keeble and Mr. E. G. Barratt—are also directors of Automotive.

Strong and Fisher (Holdings) — May 5 the ITC Pension Trust jointly with the ITC Pension Investments were interested in 375,000 ordinary shares.

Philip Hill Investment Trust — Prudential Assurance's interest is 2,998,738 shares (8.3 per cent) on a par value of 2,998,737.

Idria Hydraulic Tin—Pangkalen holds 83,000 shares (8.64 per cent) having disposed of 10,000.

Metallux (Holdings)—The ITC Pension Trust jointly with the ITC Pension Investments hold 150,464 ordinary shares. The Courage Pension Fund holds 181,500 shares (registered in the name of Princess Street Nominees).

Laporte Industries (Holdings) — Kuwait Investment office sold on May 12 25,000 ordinary shares thereby reducing holding to 2,875,000 (8.21 per cent).

NFI Furniture Centres—A. C. Southon, Chairman, bought 10,000 shares on May 19 and N. A. V. Lister, director, bought 50,000 on same day.

Keyser Ullmann Holdings—25,000 shares held non-beneficially by C. M. Keyser were sold on July 24, 1977.

Proprietors of Hay's Wharf has acquired Rentacare (UK) for £50,100 satisfied by £100 cash and Trust—Energy Finance and



## Labels that lead the world in fashion

Behind the labels is a young team of talented executives who have the kind of flair and special qualities demanded by the fashion industry today. Together they all helped to push sales up to a record £11.5 million and profits through the £1 million barrier. Exports also did well nearly reaching £4 million. Helene's Chairman, Mr. Montague Burkman, confidently states in his report to shareholders that the company's financial position is sound and concludes "liquidity is at present at an exceptionally high level which will facilitate the continuation of our policy of expansion".

Our Ten Year Record		
	1968	1977
Sales	5,046,188	11,550,544
Group Profit before Tax	303,680	1,159,755
Earnings per Share	1.0p	4.31p



## Helene of London Limited

For copies of the Annual Report please write to: The Company Secretary, Helene of London Limited, 20 Eastcastle Street, London W1.

## FINLAY PACKAGING LTD.

(Printers, Manufacturers and Converters of Packaging Materials)

The 22nd Annual General Meeting of Finlay Packaging Limited was held on 22nd May in Belfast. Mr. R. N. D. Langdon, F.C.A., the Chairman, presiding. The following are extracts from the Accounts for the year ended 31st December, 1977:—

	1977	1976
Year ended 31st December		
Profit before tax	£465,816	£463,573
Taxation	£253,884	£234,742
Net profit after tax	£231,932	£228,831

**ACCOUNTS:** Sales amounted to £4,917,029 of which £38,760 comprised exports. During 1977 the company made a capitalisation issue from reserves on a one-for-one basis so doubling the issued capital from £214,500 to £429,000. The issue was made to bring the share capital more into line with the capital employed.

**TRADING:** The results are most satisfactory. The company is dependent to a significant degree upon the fortunes of the tobacco trade, which it is especially well placed to serve. We are mindful of the fact that government policy is clearly directed to discourage smoking and we continue our efforts to expand in other fields.

## APOLLO

The world's leading magazine of Arts and Antiques

Published Monthly price £2.00. Annual Subscription £25.00 (Inland) Overseas Subscription £28.00 USA & Canada Air Assisted \$56 Apollo Magazine, Bracken House, 10, Cannon Street, London, EC4A 4BT. Tel: 01-248 8000.



	1977	1976
Turnover	£'000	£'000
Profit before Taxation	100,148	87,143
Taxation	15,451	14,672
Profit after Taxation	8,167	8,037
Profit attributable to Shareholders	7,214	6,835
Earnings per share	8.028	6.332
Dividends (Gross) per share	18.9p	16.9p
Dividends (Net) per share	8.30p	8.00p
	5.81p	5.25p

Points from the Annual Statement to Shareholders by the Chairman, Mr. R. C. Hale, B.Com.

Turnover has again shown a substantial improvement.

Profit before and after taxation achieved record levels despite the effect of currency changes.

Manufacturing facilities in the United Kingdom continued to be enlarged and developed.

Further growth in turnover and profit is expected in 1978.

The Directors are recommending a final dividend of 3.88224p per share which constitutes the maximum permissible.

## Greenall Whitley

Brewers since 1762

Unaudited results for the six months to 31st March, 1978

	Six months ended 31.3.1978 (26 weeks)	Six months ended 25.3.1977 (26 weeks)	Year ended 30.9.1977 (53 weeks)
TURNOVER	61,757	50,873	107,006
Trading Profit before charging expenses below	8,231	7,110	15,881
Repairs to Properties	1,662	1,468	3,287
Depreciation	1,076	889	1,630
Interest payable	621	655	1,028
Investment Income	(100)	(138)	(245)
PROFIT BEFORE TAXATION	4,972	4,236	10,181
Less: TAXATION at 52%	2,585	2,203	5,361
PROFIT AFTER TAXATION	2,387	2,033	4,820
PREFERENCE DIVIDEND	23	—	—
EARNED FOR ORDINARY AND 'A' ORDINARY SHARES	2,364	2,033	4,820
INTERIM DIVIDENDS	645	586	1,271
Earnings per Share			
Ordinary Share	4.88p	4.20p	9.95p
'A' Ordinary Share	0.98p	0.84p	1.99p

- \* Profit before tax up 17.4%.
- \* Increased beer sales volume.
- \* Increased contribution from all divisions.
- \* Interim Dividend payable 1.3309p per Ordinary and 0.2661p per "A" Ordinary, on 21st July, 1978.
- \* We believe there are substantial benefits to be gained from the proposed merger between Greenall Whitley and James Shipstone & Sons, Ltd. the Nottingham brewers, who own 275 public houses and 109 off-licences in the East Midlands

C. J. B. HATTON, Chairman.

## Greenall Whitley & Co. Ltd.

Wilderspool Brewery, Warrington WA4 6RH  
Brewers since 1762: distillers and wine merchants; Cambrian soft drinks; Compass Hotels; Red Rose inns and grills.

## THE IMPERIAL COLD STORAGE AND SUPPLY COMPANY LIMITED

(Incorporated in the Republic of South Africa)

### PROFIT STATEMENT AND DIVIDEND ANNOUNCEMENTS

The audited results of the group (excluding extraordinary items) for the year ended 28th February 1978 were as follows:

	1978	1977
Turnover	448,349	396,822
Group profit before taxation	15,932	14,732
Taxation	7,031	6,206
Group profit after taxation	8,901	8,527
Minorities	1,095	1,085
Profit attributable to shareholders	8,786	7,442

Number of ordinary shares in issue 23,654,400  
Earnings per ordinary share 31c  
Dividend per ordinary share 13c

Final dividend No. 86 on Ordinary Shares

Notice is hereby given that a final dividend of 10 cents per share (1977-8 cents) has been declared on the company's ordinary shares, payable to shareholders registered in the books of the company at the close of business on 16th June 1978. Together with the interim dividend of 3 cents per share paid on 9th December 1977 this makes a total dividend of 13 cents per share for the year ended 28th February 1978 (1977-12 cents).

The dividend is declared in the currency of the Republic of South Africa and becomes due on 17th June 1978. Dividends payable from the office of the company's London transfer secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 17th June 1978.

Dividend warrants will be posted on or about 14th July 1978. Non-resident shareholders' tax will be deducted from dividends where applicable.

The ordinary share registers of the company will be closed from 17th June 1978 to 30th June 1978 both dates inclusive.

Interim Dividend No. 78 on Preference Shares

Notice is hereby given that an interim dividend of two and three quarter per cent has been declared on the company's preference shares, payable to shareholders registered in the books of the company at the close of business on 9th June 1978.

The dividend is declared in the currency of the Republic of South Africa and becomes due on 10th June 1978. Dividends payable from the office of the company's London transfer secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 10th June 1978.

Dividend warrants will be posted on or about 30th June 1978. Non-resident shareholders' tax will be deducted from dividends where applicable.

The preference share registers of the company will be closed from 10th June 1978 to 21st June 1978, both dates inclusive.

By order of the Board  
J. P. Enslin  
Secretary

Registered Office:  
171 Jacob Mare Street,  
Pretoria.

Office of the United Kingdom  
Transfer Secretaries:  
Charter Consolidated  
Services Limited,  
P.O. Box 109,  
Charter House,  
Park Street,  
Ashford, Kent  
TN24 8EQ

22nd May, 1978



The List of Applications will open at 10 a.m. on Thursday, 25th May, 1978, and close at any time thereafter on the same day.  
This issue is made available to the public by the Treasury under the Control of Borrowing Order 1958.  
Application has been made to the Council of the Stock Exchange for the Stock being issued to be admitted to the Official List.



## Barnet Corporation

ISSUE OF £5,000,000

12½ per cent. Redeemable Stock 1987

Authorized by the Council of the London Borough of Barnet and issued in accordance with the Local Government (Stocks and Bonds) Regulations 1974 and the London Borough of Barnet Consolidated Loans Fund Scheme 1974.

PRICE OF ISSUE £98 PER CENT.

Payable as follows:

On Application	£10	per cent.
On 4th July, 1978	£40	per cent.
On 29th August, 1978	£48	per cent.
	£98	per cent.

INTEREST (LESS INCOME TAX) WILL BE PAYABLE HALF-YEARLY ON 1ST JULY AND 1ST DECEMBER.

A FIRST INTEREST PAYMENT OF £4,250 (LESS INCOME TAX) PER £100 STOCK WILL BE MADE ON 1ST DECEMBER, 1978.

The Stock is an investment falling within Part I of the First Schedule to the Trustee Investments Act 1961.

National Westminster Bank Limited, 12 Throgmorton Avenue, London, EC2P 2ED, as Banker to the issue, is authorized by the Council of the London Borough of Barnet to receive applications for the above amount of Stock and to issue the same.

1. SECURITY.—The Stock and interest thereon will be secured upon all the assets of the Corporation. The Stock will rank equally with all securities issued or to be issued by the Corporation.

2. PROVISION FOR REPAYMENT OF LOANS.—The Corporation is required by Act of Parliament and by the London Borough of Barnet Consolidated Loans Fund Scheme 1974 to make provision towards redemption of loans raised for capital expenditure and to make such provision in connection therewith as may be required by the Council of the Corporation.

3. PURPOSE OF ISSUE.—The proceeds of the present issue of Stock will be applied to replace monies temporarily borrowed to meet capital expenditure pending the raising of loans by the Corporation for redemption and to finance the interest on such loans.

4. REDEMPTION OF STOCK.—The Stock will be redeemed at par on 1st June, 1987, unless previously cancelled by purchase in the open market or by agreement with the holders.

5. REGISTRATION.—The Stock when fully paid will be registered and transferable in the name of the registered holder and of his personal representatives.

In accordance with the Stock Transfer Act 1963, the Register of the Stock will be kept at National Westminster Bank Limited, 12 Throgmorton Avenue, London, EC2P 2ED.

6. INTEREST.—Interest on the Stock will be paid half-yearly on 1st July and 1st December by warrant which will be sent by post to the registered holder.

7. APPLICATIONS.—Applications for the Stock will be made on the form provided and must be accompanied by a deposit of 10 per cent of the nominal amount applied for, and received at National Westminster Bank Limited, 12 Throgmorton Avenue, London, EC2P 2ED.

Applications must be made for a minimum of £100 Stock or in multiples of £100 for applications up to £5,000.

A separate cheque drawn on a bank in the United Kingdom must accompany each application form. No application will be considered unless this condition is fulfilled.

In the event of partial allotment the surplus from the amount paid as deposit will be returned to the applicant by cheque. If no allotment is made, the deposit will be returned to the applicant by cheque.

8. STATEMENT.—A statement of the accounts of the Corporation for the year ending 31st March 1978 will be available to the registered holder on request.

9. TRANSFER.—The Stock may be transferred by the registered holder to any person by a transfer deed or by a cheque drawn on a bank in the United Kingdom.

10. PAYMENT.—Payment will be made on 1st July and 1st December by warrant which will be sent by post to the registered holder.

11. LOST STOCK.—If a stock certificate is lost, the holder should apply to the Banker for a duplicate certificate to be issued.

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# INTERNATIONAL FINANCIAL AND COMPANY NEWS

NEWS ANALYSIS—VOLVO

## Helping hand from Norway

BY WILLIAM DUFFLOR, NORDIC CORRESPONDENT

THE SALE to the Norwegian public of a 40 per cent holding in Volvo, Sweden's largest private company, is the latest twist to the Swedes' attempt to operate a competitive, viable automobile industry with a home market of only 500,000 people and the highest payroll costs in the business.

The deal with the Norwegians has two aims: to provide the cash Volvo needs to ensure its product development and to continue the diversification which the Swedish company has been trying to carry out with little success since 1973.

The switch into the oil business is the boldest move yet on the diversification front but, given luck in exploration, could prove to be the most remunerative.

For Norway the SKR 750m (£183m) being staked in Volvo will be its largest single foreign capital investment so far, a forerunner of the capital outflow which can be expected once the country's revenue starts to mount. It is also the first major result of the Labour government's plan to buy industrial development for Norway in exchange for oil.

Feelings within the Swedish government and certainly among the Swedish people are more divided. The surprise move by Volvo results directly from the merger talks with Saab-Scania, the other Swedish automobile maker, a fusion which would have had government backing.

It is also a result of the government's refusal to listen to Volvo's pleas that state funds should be channelled to helping viable companies produce new products rather than maintaining jobs in non-viable enterprises.

On the other hand, Volvo's deal with the Norwegians is seen as a step towards the company's access to North Sea oil and gas, with which Volvo was contented.

However, with a capacity of close to 350,000, Volvo built only 226,000 cars last year and sold 200,000. The cars made a loss, the group's earnings being

generated almost entirely by its profitable truck business. Income as a percentage of sales had dropped from over ten per cent in 1973 to 2.9 per cent.

In the past Volvo's success has stemmed from its ability to provide a speedy, prestigious car for a limited sector of the car market. It could take a higher profit margin to make up for the relatively high Swedish production costs. The 1973 oil crisis produced not only a decline in the world market but also a switch towards smaller models consuming less petrol.

Volvo's investments in safety and pollution controls in advance of other manufacturers were not translated into bigger sales. This was a particularly painful blow to its hopes of expanding on the U.S. Instead it was obliged to halt its plans for an assembly plant in Virginia.

A proposed merger with Saab-Scania, the other Swedish truck and car manufacturer, founded on the reluctance of the Saab truck managers to take on another loss-making car operation as well as personal rivalry at the top level.

During the 1970s Mr. Gyllenhammar had been trying to give Volvo other legs to stand on. He had expanded Volvo BM, the company making farm, road-building and forestry machinery, and moved into the leisure boat field. Volvo BM is operating at a loss and the company is now withdrawing from leisure boats.

Now, the agreement with the Norwegian government opens up new lines of action, not only in oil exploration. The new Volvo company will invest in aluminium and plastic manufacturing in Norway, two materials which are used much more extensively in the next generation of cars. And for these investments Volvo should be well placed to tap the Norwegian oil revenues.

In fact Mr. Gyllenhammar's latest move looks like an ingenious attempt to keep Volvo floating on Norwegian oil.

See Lex

## Increase in Japanese lending to Vietnam

By Francis Ghille

THE NUMBER of medium-term loans extended to Vietnam by Japanese banks is steadily increasing. Bank of Tokyo is currently negotiating two loans, one of three years for DM 10m and one of five years for DM 24m, with the Foreign Trade Bank of Vietnam. Both loans are guaranteed by the State Bank of Vietnam.

This will bring to seven the number of loans worth DM 180m for this borrower, arranged since last September by Bank of Tokyo. No doubt the activity of Japanese banks in this area will increase, following the agreement reached last April on the settlement of outstanding problems related to borrowing by South Vietnam before that country was defeated in 1975.

The loans are denominated in Deutsche marks, as they have been since North Vietnam (as it then was) first approached the Japanese for a loan in 1973.

The National Power Corporation of the Philippines meanwhile is raising \$70m for 10 years on a spread of 1 per cent throughout. Lead manager is the Bank of Montreal. The nationality of the lead manager is worth underlining. Canadian banks are increasingly active as leaders of syndicates, not least in South East Asia.

Meanwhile the club of countries which can borrow at spreads below 1 per cent, getting less exclusive by the day, Malaysia is raising \$100m for 10 years on a spread of 1 per cent for the first six years rising to 1½ per cent. Toronto Dominion is arranging this loan.

Cyprus and Brazil meanwhile have joined the 1 per cent spread of the club. The first is borrowing \$40m for seven years at a spread of 1 per cent for the first three years, rising to 1½ per cent. Lead manager is Chase Manhattan Ltd.

Brazil is currently negotiating for two loans: Acelita Steel is raising \$100m in two equal tranches: one carries a spread of 1 per cent for five years (this low spread reflects withholding tax considerations: the tax can be reclaimed by the bank), the other a spread of 1½ per cent for 10 years. Lead manager is Eurobank.

The second loan is \$150m for Companhia Energetica de Sao Paulo: a \$60m 12-year tranche carries a spread of 1½ per cent, a \$90m 10-year tranche carries a spread of 1½ per cent. Lead manager is Morgan Guaranty.

Another Latin American borrower, the Government of Ecuador, is raising \$50m through a group of banks led by Loeb Rhoades. The initial amount was \$60m but was reduced at the request of the borrower, which has arranged for promissory notes worth \$40m with the same bank.

The borrower is paying a spread of 1½ per cent for several years on the medium-term loan.

## Depressed lead and zinc prices keep Preussag in the red

BY ADRIAN DICKS

BONN, May 22

PREUSSAG, the West German engineering group, continued to suffer overall losses during the first quarter of this year, although in some areas of business the extent of these was "significantly reduced", said Hermann Herr, General Manager, Preussag, said in Hannover today.

He declined to predict whether Preussag would be able to pay a dividend on its 1978 business year. As announced, the company is not to pay any dividend for 1977.

The factor weighing most heavily on Preussag's fortunes continues to be the depressed level of zinc prices, while during the first quarter there was also a weakening in lead prices, which last year had helped to offset losses on zinc. As a result, turnover of the metals division, which last year accounted for some 40 per cent of Preussag's year turnover, fell by 20 per cent from the first quarter level for 1977, to a new level of DM167m.

Herr Sassmannshausen expressed cautious hope that some stability had returned to the zinc market in recent weeks, and said that producers were for the first time in many months receiving the full producer price for their metal. However, the Preussag chairman said that present developments in major markets "still offer no reason to hope that zinc can recover with sufficient prices this year."

In addition to the further cut in the producer price to \$350 a ton in February, Herr Sassmannshausen noted the further heavy cost of the dollar's decline. Since March 1, Preussag has had 2,500 workers in its mining and smelting divisions on short-time.

Herr Sassmannshausen stressed that Preussag still attaches great importance to diversifying its range of base metal interests and its sources of supply through extending its 30 per cent holding in Patina NV, the Netherlands-based international mining house.

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ARABE  
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**Aresbank**

## ANNUAL GENERAL MEETING OF THE SHAREHOLDERS Held in Madrid on April 24th 1978

The following are extracts from the address delivered by the Chairman of the Board of Directors, Mr. Abdulla A. Saudi.

- The financial statements reflect the continuous growth and rapid expansion of the Bank's activities.
- The Bank's new premises were inaugurated in December.
- Aresbank has been particularly active in the syndication of 43 foreign currency loans.

- Operations related to foreign trade activities were satisfactory during the year particularly between Spain and the Arab World.

- Total deposits at the year end amounted to US \$ equivalent of 413 million, of which US \$ 385 million correspond to interbank deposits.

- Our Peseta lending operations have doubled during the year as compared with 1976.

- The Bank has cooperated with its Arab Shareholders in the promotion of Banco Arabe Latinoamericano (ARLABANK) becoming a Shareholder with a permanent seat on the Board of Directors.

- The general growth of our Institution necessitated a further increase in the Bank's equity base approved by our Shareholders at an Extraordinary General Meeting held on January 17th 1978 doubling our equity capital to 3 Billion Pesetas (equivalent to US \$ 37 Million).

- Net profits before taxes amounted to Pesetas 419 million (equivalent to US \$ 5.2 million) out of which 102 Million (US \$ equivalent 1.3 million) is to be distributed as dividends.

### AUDITED BALANCE SHEET\* (IN THOUSANDS OF DOLLARS) -DECEMBER 31st 1977

ASSETS	
Cash and Bank of Spain	314
Due from Banks:	
Pesetas	28,535
Foreign currency	236,689
	265,224
Investment securities:	
Loans	162,154
Customers' liability for documentary credits, acceptances and guarantees	197,515
Bank premises and equipment	7,440
Accrued interest and other income receivable	6,787
Other assets	414
	643,896
MEMORANDUM ACCOUNTS	460,257

LIABILITIES AND SHAREHOLDERS' EQUITY	
Demand deposits:	8,512
Time deposits:	
Pesetas	46,708
Foreign currency	342,831
	389,539
Documentary credits, acceptances and guarantees per contra	197,515
Warranty deposits	15,184
Accrued interest payable	4,510
Income taxes	2,584
Other liabilities	2,265
	620,089
SHAREHOLDERS' EQUITY	
— Share capital	18,587
— Legal reserve	413
— Retained earnings	4,807
	643,896
MEMORANDUM ACCOUNTS	460,257

\*These are abbreviated financial statements extracted from those expressed in Pesetas audited by Whinney Murray Ernst & Ernst. Full audited financial statements are available upon request to the Bank. (Rate of conversion 80.7 Pesetas = 1 dollar).



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## INTL. FINANCIAL AND COMPANY NEWS

### Higher profits and traffic at Singapore Airlines

BY H. F. LEE

SINGAPORE, May 22.

SINGAPORE AIRLINES (SIA) has achieved a 15.5 per cent increase in pre-tax profit to approximately S\$50m (US\$21m) for the year to March.

According to preliminary unaudited figures released by the company, the profit growth came on top of a 28.4 per cent surge in revenue to S\$1.13bn (US\$482m).

Total expenditure rose by 27.3 per cent to S\$1.06bn.

The figures released are those of the airline only and exclude its subsidiaries which are actively involved in airport ground handling services, hotel industry and duty-free retailing and which also generate substantial revenue for the company.

The profit figure has also been adjusted to take into account the adjustments which are expected to be made when the accounts are finalised.

SIA said that it has shortened the depreciation period for its new aircraft and associated spares from eight years previously to six-and-a-half years in line with its conservative depreciation policy, to take into account the increasing cost of fleet replacement. This depreciation period, the airline stated, will further be reduced to six years in the current financial year, ending March, 1978.

The number of SIA passengers in the last financial year rose by 14 per cent to 2.55m, while cargo carried increased similarly by

14 per cent to 51m metric tonnes.

The total load carried expressed in terms of tonne-kilometre rose by some 21 per cent, outpacing the growth in capacity output which expanded by 16 per cent to 1.47bn tonne-kilometres. As a result, SIA managed to chalk up a three point improvement in its overall load factor to 69 per cent.

SIA said that its constant expansion of operations and upgrading of technology helped to restrain the rise of unit operating costs but were insufficient to offset the effects of inflation. Operating cost per tonne kilometre thus rose from 61 Singapore cents to 63 Singapore cents.

### C. G. Smith sounds warning on prospects

By Richard Roffe

JOHANNESBURG, May 22.

C. G. SMITH SUGAR, which acquired Illovo Sugar Estates from Tate and Lyle last year and now accounts directly for over a third of South African sugar output, increased profits in its year to March 31. But the company has sounded a warning, with its preliminary figures, over current prospects, on which the directors say they "cannot take a sanguine view."

Trading profit rose from R17.5m to R21.5m and after dividend income reduced from R3.4m to R2.5m, total profits went ahead from R30.9m to R24.7m (\$23.3m). The improved profits at the trading level are due to the first-time consolidation of Illovo, improved sugar milling efficiencies and additional sugar output from C. G. Smith's original interests. The dividend has been held at 75 cents.

Low world sugar prices and rising domestic costs of production are the main areas of concern, but a positive point is that the C. G. Smith Group, from which C. G. Smith Sugar derives dividend income through its 42 per cent stake, has sold its interest in Reed International's problematical Stanger pulp and paper plant.

### Bank of Cyprus in the black

By Our Own Correspondent

NICOSIA, May 22.

MR. MICHALAKIS SAVVIDES, president of the Bank of Cyprus (Holdings), has reported a 1977 profit of 764,600 Cyprus pounds (\$196,000)—compared with a loss of C£434,000 in 1976—and announced a 6 per cent dividend, the first to be issued to shareholders since the Turkish invasion in 1974.

At the annual general meeting of the bank, the island's oldest banking establishment, he said prospects for 1978 were also "quite encouraging." Deposits last year reached C£230m, against C£182m in 1976.

### Japan Line management change

TOKYO, May 22.

JAPAN LINE COMPANY, Japan's largest tanker operator, has announced a major change in top management as part of a plan to salvage its financially troubled operations.

The company has selected Takeshi Kitagawa as president in place of Hisashi Matsunaga, who will move up to the currently vacant position of chairman.

Mr. Kitagawa is vice-president of Toyu Soda Kogyo Company, and a former executive with the Industrial Bank of Japan. Japan Line's principal lender and leader of the reconstruction effort.

Thissoo Guda, also of IBI, will be named a director and other changes will be made in upper management by the end of the month. All the appointments are

subject to approval at a meeting of major shareholders in June. The announcement follows offers to resign earlier this month from the shipping company's board of directors, to take responsibility for the serious financial trouble which prompted an agreement with lenders to postpone repayment of about ¥20bn (\$130m) in loans during the fiscal year which began April 1. At last September 30, Japan Line had debts of about ¥150bn.

Japan Line, it is understood, plans under this year's budget to renegotiate a saving of ¥21bn in charter contracts.

An official at Japan Development Bank, the Government agency which is granting a moratorium about ¥8.5bn in loans due this year, said the World-wide AP-DJ

Shipping Group is expected to absorb about ¥5bn of the reduction. Japan Line's charter payments have expanded over the past few years to ¥170bn in the year ended March 31 1977, from only ¥98bn in the 1974 year.

Bankers said the first year's plan to reconstruct Japan Line's finances will involve a number of measures including the selling of assets and securities, and the reduction of operating expenses through payroll economies and negotiations with its labour unions. Savings could amount to about ¥20bn.

"The company has to reduce expenses because business revenues just aren't going to pick up with the market for tankers depressed," said one AP-DJ

### Japanese department store sees gain

FINANCIAL TIMES REPORTER

MARUI COMPANY, a Japanese department store specialising in credit sales, expects consolidated net profit to rise 5.9 per cent in the year ending January, 1978, from ¥8,900m (\$40m) during the past fiscal year, Mr. Tadao Aoi, the president, said in London yesterday.

Consolidated sales are expected to rise 9 per cent from last year's ¥132.9bn (\$5810m).

Mr. Aoi said that the upper end of the 5.9 per cent range of expected profit gain represented the fundamental trend of earnings but that currency translation effects as a result of exchange rate movements could have a negative impact. Marui floated \$30m of convertible bonds in Europe in 1976.

Marui's forecast for the parent company alone sees net profit rising to ¥7.1bn, or 11 per cent, from ¥6.41bn last year.

Parent company sales are projected at ¥197.5bn, up 8 per cent, from ¥183.7bn.

The outcome could be better, however, Mr. Aoi said. Parent company sales were up 10 per cent from a year earlier in the

fiscal first quarter, ended April, he said, and he believed that rate of gain would continue for the full year.

On the basis of Marui's conservative official forecast, parent company net profit is expected to rise to about 3.5 per cent of sales this year, from 3.5 per cent last year, and 3.1 per cent, two years ago.

Mr. Aoi said that whereas lower Japanese interest rates were a major contributor to last year's profitability improvement, a significant part of this year's expected gain will stem from stronger consumer spending and a better sales mix centred on pick-up in demand for clothing. Sales of garments slumped last year in part because of mild winter weather.

Following the recent cut in Japan's official discount rate, Marui's long-term borrowing cost has declined to 7.25 per cent from 7.5 per cent in the autumn. In the autumn of 1976, Marui paid about 8.5 per cent for the instalment credit sales. Although interest rates appear to have about reached bottom in Japan,

### Jardine Davies optimistic

BY ANTHONY ROWLEY

HONG KONG, May 22.

JARDINE DAVIES, the Philippines-based sugar-production, manufacturing and services company, says that the year which saw a profits collapse in 1977—the year after it went public—expects "improved results" in 1978.

This assurance is given by Mr. D. K. Newbigging, the chairman, who is also chairman of Jardine, Matheson, the Hong Kong trading house which has a 74 per cent stake in Jardine Davies.

In August, 1976, Jardine Davies offered 15 per cent of its outstanding capital stock to the Philippines public at P100 pesos each. This was in response to what Jardine Davies termed "encouragement from the Philippines Government." Proceeds of the P100 peso 42m issue were applied initially to reducing Jardine Davies' debt.

While the issue prospectus was cautious on prospects, it hardly suggested that profits before tax would fall from P100 pesos 58.5m to P100 pesos 15.1m (\$2.2m) between 1976 and 1977. Dividends per stock unit were reduced from P100 pesos 1.02 to P100 pesos 0.40 between these two years.

In his annual report, Mr. Newbigging states that Jardine Davies encountered a number of problems during 1977, some of which were due to operational deficiencies in past years, and others due to depressed economic conditions in some areas of the Philippines economy in which

the company operates. He adds, however, that the directors now believe that the operational problems have been identified and steps have been taken to correct them. Jardine Davies has started 1978 with a new and strong management team.

### Australian spending up

CANBERRA, May 22

NEW CAPITAL expenditure by companies in Australia rose to A\$1.80bn (U.S.\$2.02bn) seasonally adjusted in the first quarter of 1978, from A\$1.67bn in the fourth 1977 quarter, according to preliminary Statistics Bureau figures.

This compares with expenditure of A\$1.49bn in the first quarter of 1977.

Reuter

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as

**Senior Vice-President**

and

**Representative**

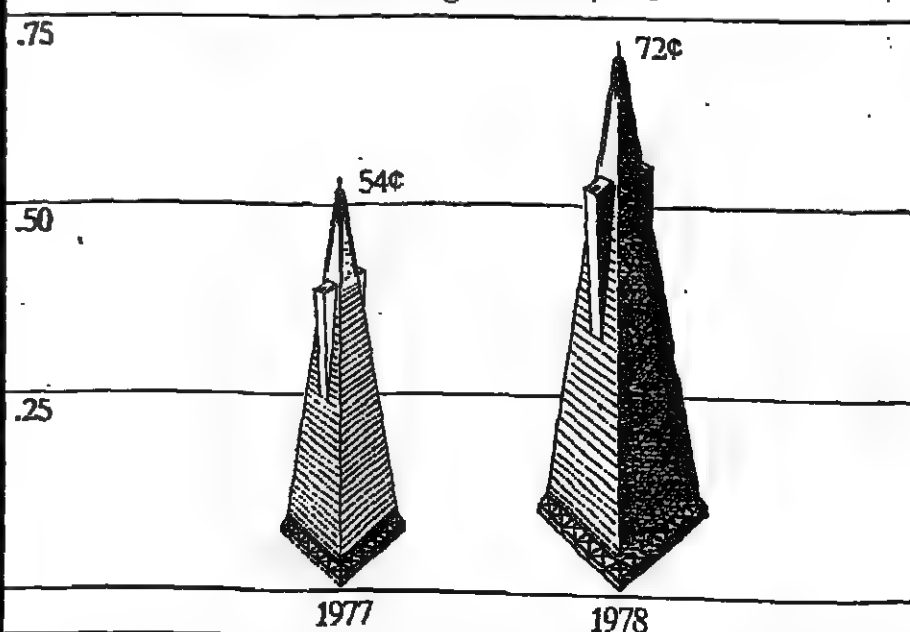
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Period Ending March 31, 1978



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For our 1977 annual report and latest quarterly report, please write: Corporate Relations Department, Transamerica Corporation, 600 Montgomery Street, San Francisco, CA 94111.

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The Financial Times

South Mimms Crest Motel

Reception

CARS AND CONTENTS  
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# FINANCIAL TIMES SURVEY

Tuesday May 23 1978

## BUSINESS TRAVEL

Travel for the businessman today is a complex affair, and it has been thrown into confusion during the past year by the enormous reduction in air fares. Professional assistance seems to be essential to obtain the best deal.

### The year of the falling air fare

By Arthur Sandles

IF ANYTHING marks 1978 out from the rest in terms of business travel it must surely be that this year has seen the gentle simmering of air fare manipulation change into a full blooded revolution. In the wake of Mr. Freddie Laker's Sky-Train exercise fares have come tumbling down in various parts of the world, provided you are prepared to meet the various travel conditions attached. Even that long-term stronghold of high fares, Europe (and notably the routes to Scandinavia), seems to be wilting under the assault of consumer and Governmental pressure.

However, the air fare changes that we continue to see have one major drawback. The complexities of air fare structures are now such that only an expert can find his way through them. Today's business travellers need not only a team of accountants to keep Whitehall happy, but also a team of travel agents to see them on their travel way. The divergence between Standby fares and normal

first class fares on many routes is laughable—but a more detailed look at that particular situation can be found elsewhere in this Survey.

The very complexity of the travel business today has spawned a whole new industry offering expertise. The business person, vaguely aware that without help he is likely to be paying more than he should and perhaps not getting what he really needs, is now besieged by advice and offers of assistance.

Increasingly travel agents, airlines, hotel groups and car rental companies are making their sales pitch on the basis of: "Don't worry old chap, just give us all your business and we'll take all your worries away." It's a tempting line but, like the Book Club or the magazine subscription, once you have signed it can be the very devil to change your mind later.

Car rental is a good example of the trap which lies waiting for the unaware. Most of the bigger car rental groups are very eager to do business on a corporate basis. The company will be offered a substantial discount on normal rates, and personnel will be provided with various forms of payment. The temptation then is for the company to put all its business through that one car hire organisation. However, life is not necessarily that simple.

Car rental company rates tend to vary considerably. Thus, if your business involves high mileage one-day rentals in the UK using basic small cars, without actually looking at the somewhat different company price tag for their particular traffic pattern.



The new Heathrow Central tube station which has eased the problem of getting to the airport.

your traffic is in limousines rented for low mileage, but long term, trips in Switzerland. A surprising number of companies seem content to work on the simple "how much discount will we get" basis for hotels, car rental, expense account-dining and the like, without actually looking at the price tag for their particular traffic pattern.

Indeed one of the problems with business travel is sorting out the needs of the consumer. Although there is a pre-occupation with price in much of the material produced by both industry and commentators, price sensitivity would not seem to be the prime factor in some sectors of the market. Although senior management may well be in-

terested in the best rates for conference packages or fleet rental, the requirements for individual trips may be completely different and price a very secondary factor. Sadly enough, however, the cost of travel today can be a significant deterrent. Even the price of sending three people by rail to a conference in, say, Brighton, from anywhere else

within Britain can be significant and is these days the subject of the closest scrutiny. One of the bright aspects of the travel business this year is the arrival of tax concessions for those who spend a great deal of time abroad. The sums involved are not enormous but it is nice to know that the Chancellor has at least recognised that there is a measure of dis-

turbance involved in frequent foreign journeys. It is probable over the next few months that we will see the actual attitudes of the Revenue towards foreign travel claims.

At the moment a fairly open view appears to be the norm. If your travel in the tax year 1977-78 was not noticeably different from the pattern of 1976-77, then a signed undertaking from an employer (the self-employed have only recently been offered relief) should suffice for a tax rebate. However, it is probably best to hang on to those airline tickets just in case the Inspector should actually seek proof.

The fact that the travelling businessman is expected to keep hold of his tickets (I have still to discover whether four days in a foreign hospital in the midst of a business visit is deductible or not) serves to indicate just how sophisticated business travel is these days. No longer is it simply a question of popping round to the travel agent and buying a two-way ticket to New York.

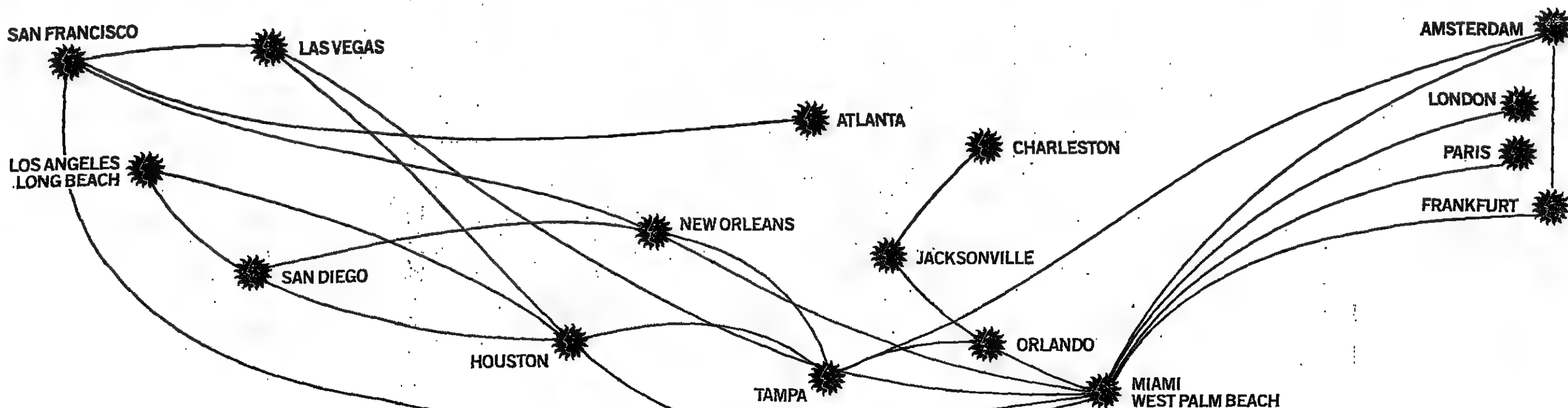
The complexity of the business is due to what the business community might regard as a rather odd attitude on the part of the travel industry towards its most reliable source of revenue. The development of leisure travel has tempted hoteliers and airlines to offer incentives to this volatile market, and yet so construct rates as to pre-empt, if possible, the major concession being able to obtain attractive prices. It is one of those odd situations in which the person who buys most pays most—fly weekly to Washing-

ton and you will pay more than the grannie who is taking her first flight ever. The business traveller may not be price-sensitive, but that is not say that he lacks price-awareness. Perhaps the business traveller has come to accept that he is a creature to be wooed when times are bad or when he can shop elsewhere, but to be exploited when he has little other option but to accept what is offered whatever the price.

Nonetheless business travel has come into its own in recent years as the travel industry has realised that it is much more reliable than the leisure market. Hotel groups such as Hilton and Intercontinental, which have largely built their success on the business traveller, have long since realised the value of the corporate customer, but it took a few years of economic recession for much of the rest of the travel industry to get the message.

Now the business person is wooed with some eagerness by hotel groups, airlines, car rental companies and travel agents. The fact that it is a buyer's market does not necessarily have its impact on prices but it does mean that a measure of service is available in some fields which may not have been apparent in the 60s when the holidaymaker was king. The business traveller has shown himself to be the backbone of this volatile market, and yet he is being treated accordingly. Perhaps some of us would like to see him getting the prices he deserves as well as the treatment he deserves, but that may be asking too much.

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4 Austin Allegro 1300 4 door saloon Morris Marina 1.3 saloon Triumph Spitfire 1300 Mini 1000 1100	£5.90 5p	£56.00
5 Morris Marina 1.3 saloon Morris Marina 1.3 saloon-Auto.	£6.90 6p	£68.25
6 Princess 1300 saloon Morris Marina 1.3 saloon-Auto. 4 door saloon Manual or Auto.	£7.60 7p	£77.00
7 MG 1100 Triumph Spitfire Triumph Spitfire 1300 HT.	£9.50 7p	£85.40
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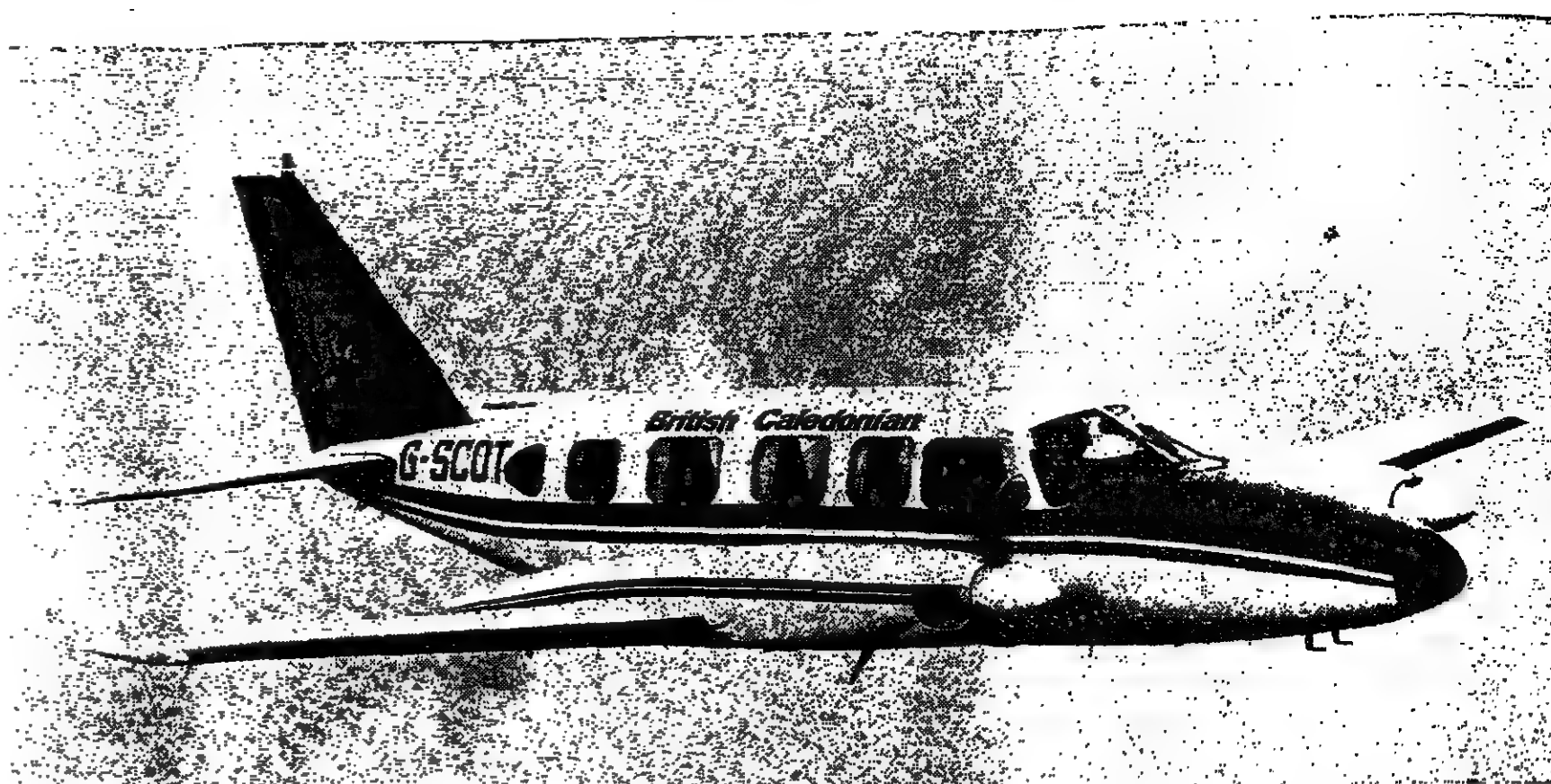
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## BUSINESS TRAVEL II



A Piper Navajo Chief—widely used by British operators for air taxi work.

## Air taxis provide many advantages

INCREASINGLY IN recent years, busy executives have been turning to the light aircraft as a means of defeating growing congestion not only on the roads and railways but also on the scheduled services of the regular airlines. There can hardly be an executive around who does not know the feeling—long, frustrating journeys to increasingly crowded airports, difficulties in parking the car, delays at check-in desks, the possibility of further delays due to industrial disputes—and still the journey itself to undertake, with Customs and immigration controls the other end, and the final journey by car or taxi into the destination office. The result so often is a weary, exasperated individual, with little physical or nervous energy left for important business discussions.

It is in this situation that the possibility of riding in comfort in an aircraft exclusively one's own for the day becomes not just a luxury, but can be a necessity. Many business organisations have recognised this, and have entered what is broadly termed the "general aviation" field, by buying their own aircraft, or undertaking long-term charters of small executive-type cabin aircraft.

HS-125s down to small piston-engined cabin monoplanes. In 1977, the ATOA members flew collectively close to half a million passengers, over a distance of 23m miles on flights throughout Europe, and the Middle East and Africa. A large proportion of these flights were directly connected with export industries and the development of North Sea oil and gas, but the enlargement of the Common Market has brought about a substantial increase in the demand for this type of air service, and the ATOA members have responded swiftly. This year, the Association expects that its members will improve substantially on their 1977 performances.

The big advantage of the air taxi is that it is operated to suit the convenience of the customer. The flight will be made from the nearest airfield to his home base, taking him as close as it can to his destination factory or office (and this can be very close indeed, even on the roof, if the executive chooses to hire a helicopter), and bring him back again, very often within the compass of one working day. There are thus no delays with Customs and immigration, and a passenger can frequently arrive at his departure airport within minutes of take-off time, parking his car without difficulty and often free of charge. The flexibility of the air taxi operation is indicated by the fact that whereas the scheduled airlines operate from some 25 airports in the UK, the air taxis can fly to and from more than 300. It operators are bound by a strict code of conduct and service, and because all of the ATOA's members and their crews are governed by the regulations of

the Civil Aviation Authority, their standards of ability are as high as those of the airlines.

### Urgent

The air taxis are not only geared to provide passenger services, but can also offer freight carriage, especially for urgent shipments, and the Association's members can offer clearance—a factor which can often halve the journey time for a consignment of vital spare parts, equipment or even documents.

The air taxi is also often considerably cheaper than normal scheduled airline services, depending, of course, entirely upon the number of people travelling, the type of aircraft used, and the distances involved. The ATOA's members, however, undertake to give an estimate of probable costs over the telephone, and an aircraft can often be ready to take-off (subject to weather and availability) within half an hour of a telephone call. There is no necessity to book weeks in advance.

When considering comparative costs, however, it is always advisable to include in the equation the costs of time that would normally be wasted travelling to major airports, and waiting at airports at both ends, and also the possibility of having to spend nights away, involving hotel bills and other costs.

In addition to the immediate availability of air taxis from the members of the ATOA, it is also possible to arrange for flights at major airports, to provide connections to other destinations, or to take pas-

sengers to major airports for onward scheduled flights. Agreements have been signed between the ATOA and such major airlines as British Airways, Air France, Lufthansa, Middle East Airlines, Scandinavian Airlines System, Swissair, and Qantas to provide this service, which operates round the clock and can thus often save the cost of an additional night's accommodation.

Other facilities available through the members of the ATOA include business aircraft management, air ambulance, aerial photography, surveys, engineering, maintenance and repair services, hotel and car hire reservations, and aircraft sale and purchase, handling both new and used aircraft, while also providing a complete range of sales and finance services to companies, clubs and private individuals.

### Access

Thus when assessing the value of the air taxi system, a prospective customer should take into account the following factors:

- 1—The availability of many general aviation airfields at home and abroad, usually within easy access of the intended town of departure or destination;
- 2—Time-saving and reduction in travel stress when compared with other means of transport;
- 3—The possibility of completing business in one day, thus avoiding overnight accommodation and other expenses;
- 4—The considerable saving of valuable executive time, and the ability to discuss business confidentially during travel;
- 5—The short notice needed to summon an air taxi at all times;
- 6—The ability to plan one's own timetables and to change the itinerary if required;
- 7—Minimum check-in time and airport formalities;
- 8—The fact that air taxis are normally not affected by public service strikes, go-slows or other industrial disputes;
- 9—The efficient planning of use of an air taxi can produce costs lower than alternative means of transport in many cases.

All these factors, together with the fact that air taxis are

run according to a strictly professional code of safety, conduct, and business ethics under the Civil Aviation Authority's regulations, add up to the fact that the air taxis must be considered a significant contribution to any busy executive's daily life.

Michael Donne  
Aerospace Correspondent

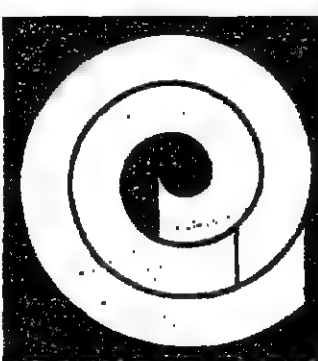
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## The battle in car rental

THERE CAN surely be few more fiercely competitive businesses today than car rental, with the major companies offering all manner of inducements to potential regular customers. It is a brave travel manager who lets a car rental salesman get his foot in the door. The very fact of competition, however, has made car rental one of the most impressively sophisticated areas of travel activity, not only in sales techniques but also in the fields of management and customer service.

A brief look at the marketing techniques of the car rental groups indicates immediately that for all the aggression of the game the one aspect which is not emphasised is price. The business traveller is apparently conscious of price, but it is not his prime consideration. The major groups compete mostly in terms of service—the winning system is the one that gives the customer the car they want, when they want it and with the least administrative bother. It sometimes seems that Godfrey Davis/Avis/Hertz girls are born with smiles on their faces and keys in their hands.

### Change

The major change in the car rental market over the past year may have gone unnoticed in the general consumer and that is the sudden rapid rise in commission rates to travel agents. These agencies get their living by taking a commission on all business passed through them, and car rental companies rely heavily on the agents for their business. A small storm was caused in the business when Eurocar, a French-based operation new to the British market, but full of ambition, increased its commission level to 20 per cent, about a year ago. Hertz and Avis were quick to reply, and offered additional tasters to keep the travel trade happy. Godfrey Davis has played the ability and simplicity of service a little more firmly and normally gives a 15 per cent cut to agencies, which is also the norm for rivals like Budget, Kenning and Swan National.

Car rental is an extraordinarily complex business which involves rather more than simply opening a desk at an airport and offering to rent cars. The car renters are in the business of keeping the right sized fleet and making sure that its utilisation is maximised. A fleet which is too large can be more expensive than a fleet which is too small. Clearly the business market is the one which offers any car rental company the opportunity of ironing out the peak season/week-end over-demand positions which result from a reliance upon the leisure market. A corporate customer which is renting cars in mid-winter and mid-week is like manna from heaven for the rental company which has expensive cars and maintenance facilities to look after.

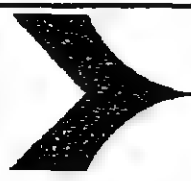
The great marketing ploy of the American majors, Avis and Hertz, is their world wide availability and simplicity of service.

Continued on next page

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# Fares policy causes discontent

THE AIRLINES undoubtedly have the air fare situation world wide like the business traveller. They have every reason to do so, for he or she has been the principal base upon which the elaborate structure of scheduled air services girdling the globe has been built. His or her requirements have been, and still largely are, responsible for the maintenance of a high standard of in-flight cabin service on many scheduled flights, of adequate inter-line facilities (the rights) for connecting flights, and of high standards of punctuality and reliability. Nothing frustrates a business traveller more than poor cabin service, ing aircraft, and unpunctuality. The business traveller is entitled to all these things, because he pays the highest fares—not necessarily first-class fares—but the highest fares of them (although an increasing number of them do travel first-class), but increasingly now also first-class fares. The business traveller is not only the principal reason for the introduction of the route in the first place, but also its mainstay for years, especially if it is to a place that is either primarily a business centre or lacking in tourist potential—and there are many such routes, especially in some parts of the Middle East. On many other routes, his numbers are increasing at a faster rate than those of the so-called "leisure traveller."

## Disgruntled

But, for all this, it is fair to say that many business travellers are becoming increasingly disgruntled, despite what the airlines claim to do for them. Airline fares policies are at the root of those travellers' discontent. They have seen a steady erosion over the years in their influence on the airline business, as more and more operators have paid more and more attention to the rising tide of "consumerism," and at no time has this change in attitude on the part of the airlines been more apparent than in the past year.

In civil aviation, the word "consumer" has become almost synonymous with "cheap fares," and so far as some airlines are concerned, apparently the cheaper the better. For many years, on short-haul European routes, the business traveller complained because frequently he found himself sitting next to another passenger who was enjoying the same class of seating and cabin-service, but at a much lower group or special promotional fare, as a result of the airlines' efforts to try to stimulate traffic among those who had never flown before. On many short-haul European routes, much of this discrepancy has disappeared as a result of the "growth" of holiday charter flights, but it does still exist on others. More recently, and especially within the past few months, a similar situation has emerged on the North Atlantic air route as the growth of low-fare leisure-travel has extended into long hauls and the airlines have moved to meet the rising demand.

As a result of this situation,

studying this problem, as part of a move to try to improve its fares-fixing machinery (and its image) worldwide. The association, at its annual meeting in Madrid last November, set up a team of "five wise men," comprising the chairmen and chief executives of five major airlines (British Airways, Alitalia, Air Canada, Air-India and Trans World Airlines), to find ways compliance, but also of ensuring that its fares-fixing methods were brought up to date in a world in which, albeit perhaps temporarily, consumerism has become rife. The growing impatience of many would-be travellers (including businessmen) at the high levels of air fares has led not only to the airlines themselves bringing them down, but also to governments forcing them down by the introduction of competitive services. The Budget Plan and Stand-By fares, for example, on the North Atlantic, were the direct result of the UK Government approving the introduction of a cheap Laker Skytrain service last September.

On some major routes, such as the North Atlantic, the UK and U.S. governments themselves stepped in to the negotiating business, and bargained among themselves to establish flexible fares levels between their two countries for this summer. As a result of all this, the airlines, through IATA, have seen their traditional role of establishing fares being eroded. They do not like it, but are obliged to accept it. At the same time, however, they have decided to take a leap ahead of the situation, by reorganising themselves: hence the "five wise men."

## Flexible

This team has now submitted its first report to IATA's executive committee, which is expected to pass the proposals (still secret) on to a full meeting of all the airlines in Montreal in late June. The team is expected to suggest that the airlines should abandon their long-drawn-out world-wide fares-fixing conferences, in favour of much smaller, more flexible, local and regional fares meetings, which stand a better chance of success (that is, of avoiding being negated by a veto from just one airline) and also of producing fares more realistically in tune with the local thinking of governments and other organisations.

However, it is likely to take some time to filter through the various processes of government approval, so that the present system of IATA fares-fixing conferences in some parts of the world and of direct government intervention in others, is likely to remain for some time to come.

Certainly, so far as the North Atlantic is concerned, the present concept of very cheap Budget-Plan and Stand-By fares between a large number of European and U.S. cities will remain for the coming summer, and into the autumn. An Anglo-U.S. governmental meeting is expected in the autumn to consider the impact of these cheap fares during the past summer, and this is due to be followed by a more significant meeting, involving the U.S., UK, Canada and European nations.

The latter meeting, probably in November, is intended to thrash out, once and for all, just what fares policies will be implemented between all the European countries and North America, so as to suit the requirements of all the airlines, and all classes of traveller. By then, too, the results of LATA's own exercise in self-criticism is expected to be known, so that the governments too much attention to their

views, as has been evidenced by the continued determination of the U.S. government to promote cheaper fares both internally as well as internationally.

It could be argued from the business traveller's viewpoint that if he cannot lick them, he should join them—in other words, that he can, if he wishes, always transfer his business to the cheaper rates along with the leisure travellers. But so far, there is little evidence that he is doing so—there does not appear to be a significant drain of business traffic from the normal economy-class services with their guaranteed seats at higher fares to the cheaper Stand-By and Budget-Plan fares, although some such transfers, of course, have occurred.

In the long run, it has to be accepted by the business traveller that these cheaper rates are probably here to stay, although they may be adjusted upwards in the light of experience and of economic pressures. The business traveller will hence classes of travel, with travelling in the same aircraft as someone else who has paid a substantially lower fare, and his only possible redress, short of the impossible one of not travelling by air at all, is to continue to insist in the most vigorous and determined

Michael Donne

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## BUSINESS TRAVEL IV

## Sorting out the currency

THE DRAMATIC fluctuations in the value of currencies in the past few years have brought home the problems which can arise for travellers abroad when their own currency is under pressure. The pound has varied within a single year from over \$2.00 to a low point of around \$1.63, a difference of not far short of 20 per cent., and anybody who was carrying sterling abroad when the pressure was at its worst during 1976 could have suffered a significant loss.

Even worse, there have been periods when in certain parts of the world it has been difficult to persuade local banks and retailers to accept sterling at all, whether in the form of travellers' cheques or cash, or at best the holder might have to take a substantial discount. These problems have evaporated with the sharp recovery of the pound last year, and though there has been some renewed decline this year the pressures in the market are a long way from being as serious as in the past.

Nevertheless, the experience has underlined the need to take some care in making arrangements for carrying money abroad to cover the necessary expenses involved in travel. The advice used to be to carry travellers' cheques expressed in dollars which, as the leading international currency, tends to be the most reliable and generally acceptable even at times of turmoil in the exchange markets. Even here, though, the steady drop in the value of the U.S. currency last year may have made some people think twice about this idea.

In general terms, however, the arrangements needed to cover expenses abroad have become considerably easier in recent years, not only because of the easing of official currency controls but also because of the developments which have taken place in the services offered by the banks through their credit and cheque cards. Effectively, with the appropriate range of cards in his pocket the traveller need never find himself unable to pay a bill or to raise some cash.

The official controls on the

amounts which can be taken abroad are these days not designed to present any obstacles to genuine requirements for the purposes of business travel. The limit on the amount of foreign exchange which can be taken abroad for holidays is now £500 — increased from £300 in the October economic package — while up to £100 can be taken in sterling notes.

## Allowance

However, people travelling outside the U.K. for genuine business or professional reasons who need more than this for the journey can apply to a bank or travel agent for an additional allowance of foreign currency. This can be made available at a rate of not more than £100 a day also increased last October from £75 within an overall limit of £3,000 for any one journey.

Even this limit, though, need not be an obstacle. The limits imposed by the authorities are designed not so much as a ceiling on the export of foreign currency but to help in their monitoring of outflows and to pre-

vent the misuse of facilities. If a businessman needs more than his own bank is authorised to allow, it is possible to make application to the Bank of England for permission to exceed the limit.

There are, of course, strict rules on the use to which the money can be put. Foreign exchange facilities obtained for travel may not be retained abroad for use on a later journey or be used abroad for any other purpose, such as investing in foreign currency securities, property or land. Any unused facilities in foreign currency have to be surrendered within a month from the date of the traveller's return to the UK or within a month of issue if by that time the journey has not started. Facilities expressed in sterling should be surrendered either within six months from the date on which they were obtained or, if the traveller is still abroad then, within a month after his return to the UK. Subject to these rules, there is no problem in obtaining the funds to support business travel.

The question of how to carry

the money raises different issues. In principle, there is a great deal to be said for taking as little as possible in the form of actual cash, whether in currency or sterling, because of the risks of loss or theft. The familiar travellers' cheque, whether issued by a bank or travel agent, has many advantages, offering normally a degree of insurance against loss.

The choice of currency in which to express the cheques can be more difficult, but as a general rule there is a good case, where possible, for taking cheques in the currency of the country to be visited: this avoids the risks of a decline in relative value and possible lack of acceptability when the currency markets are under pressure. Nevertheless, it remains true that in most parts of the world the dollar is the most familiar and acceptable form of international currency.

Beyond this, the credit cards will be familiar to most businessmen and are widely and increasingly accepted. The two major travel and entertainment (T and E), cards, American Express and Diners' Club, are

old-established and fall into a rather different category from the cards issued by the banks. They are generally speaking more up-market, aiming specifically at the much-travelled executive, involve a charge to the holder and do not offer the extended credit facilities available on the bank cards.

Nevertheless, their position is strong in the market and though the banks are making increasing efforts to develop their own services the T and E cards remain among the most useful forms of currency which can be carried. The two main bank cards in the UK, Barclaycard, run by Barclays, and Access, run by the other big banks, have a rather different character.

## Combination

Domestically, their main purpose in life is to combine an easy method of making payment for goods and services with the provision of extended credit from which the banks make their real profits. The banks have, however, extended their services internationally with

the combination of credit cards with separate guarantee cards and cheque guarantee cards which offer the availability of funds in most parts of the world. Access is a member of Inter-Eurocheque arrangement which brings together a wide range of bank, linking up with the Mastercard organisation, and banks in Europe. However, of Eurocard, while Barclaycard came up against the problem that some of the continental members were against the dual function of its card, and banks particularly in West Germany and the Benelux countries were pressing the UK After a long debate, Barclays had to concede the point this year and now customers are able to apply to the bank for a separate Eurocheque encashment card, which will support cheques up to £50 per encashment under the local currencies at any branch of the Visa banks, which include for example some 8,500 outlets in Europe.

Barclays has, however, also suffered a minor setback. One of the advantages which this bank has claimed over the others is that the Barclaycard combines two services in one piece of plastic. It operates both as a credit card and as a cheque guarantee card, providing support for cheque payments by Barclays customers up to £50 a time. The other UK banks provide their customers

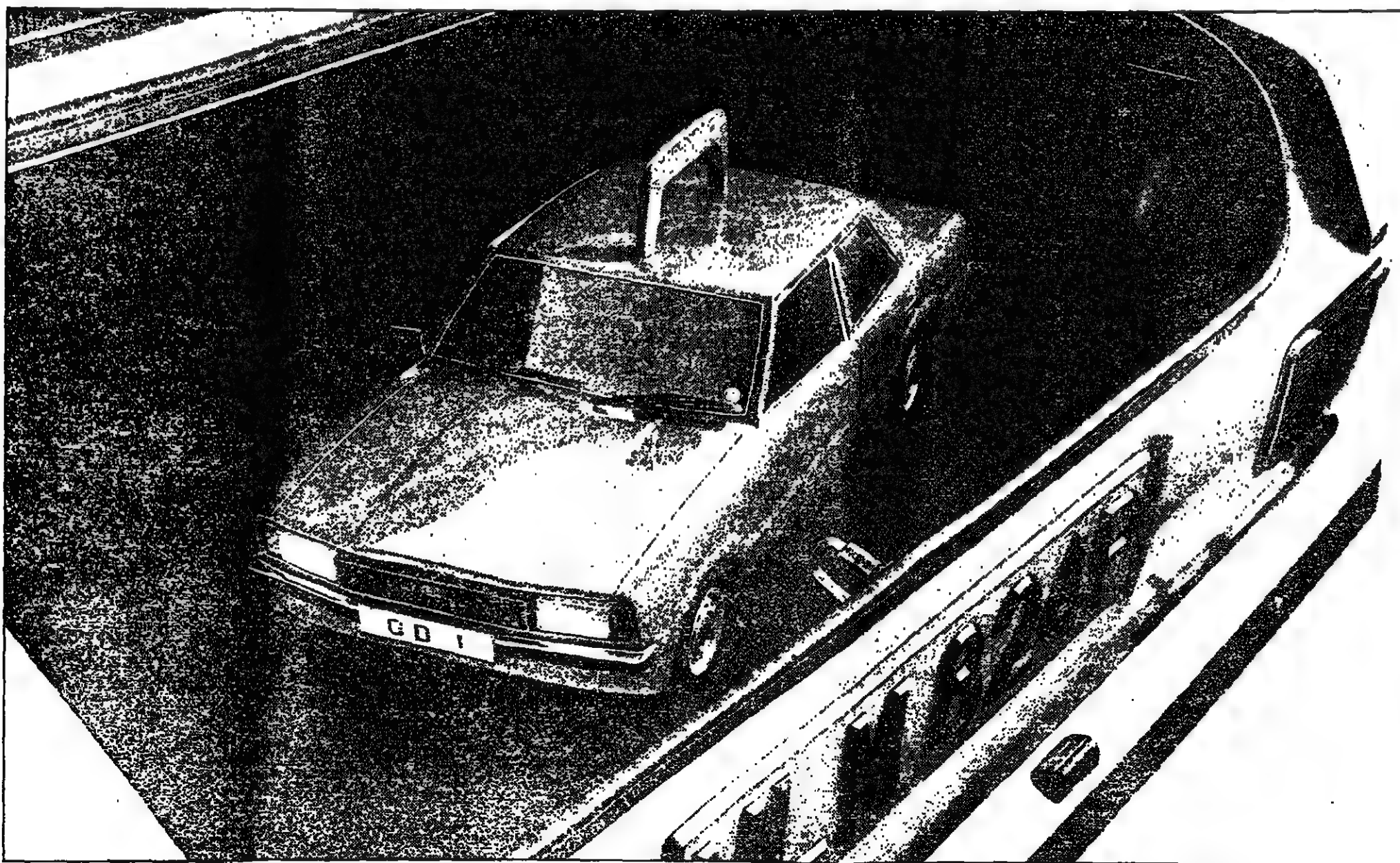
with separate guarantee cards for this purpose.

Abroad, the cheque guarantee system works through the Eurocheque arrangement which brings together a wide range of bank, linking up with the Mastercard organisation, and banks in Europe. However, of Eurocard, while Barclaycard came up against the problem that some of the continental members were against the dual function of its card, and banks particularly in West Germany and the Benelux countries were pressing the UK After a long debate, Barclays had to concede the point this year and now customers are able to apply to the bank for a separate Eurocheque encashment card, which will support cheques up to £50 per encashment under the local currencies at any branch of the Visa banks, which include for example some 8,500 outlets in Europe.

However, the bank argued that in fact customers had made relatively little use of the cheque guarantee facility abroad and did not expect any great demand for the new card. In emergencies, the cheque guarantee card can be a useful piece of plastic to carry; but the facilities now available from the range of credit cards carried by most executives leave few gaps.

Michael Blanden

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## A real incentive

OFFERING REWARD for work effort over and above the norm, or even worse over and above that of an employee's colleagues, is something that tends not to be discussed in polite industrial circles these days. However, the incentives business manages to struggle on in spite of the obvious industrial relations problems that potentially are involved. The largest single growth sector of the incentives business is travel, which is increasingly offered as a carrot in the commercial world.

Although the obvious area for such an incentive is in a corporate sales force ("increase your sales by 50 per cent. Blenkinsop and we'll send you to Bermuda for a week") incentive travel comes in useful in a dozen additional ways. Suffering from high staff turnover? Offer a 10 per cent subsidy on selected holidays for every complete year of service. Lots of absenteeism? Holidays can be given as rewards for regular attendance. Too many defects in the final product? Offer holiday aid for every time the production line gets things right. A little simplistic perhaps, but an indication of the way things are going.

The business of incentives is a growing one and one of the major areas of it, particularly for employee motivation, is travel. The basic reasons for this are not hard to trace. Travel is something which contains a high element of "dream" and is thus something which is likely to appeal to a very broad spectrum of employees. It also has the added attraction of being something which is likely to appeal to the spouse of an employee and thus the sales employee and his wife, or the assistant, will go off to work perhaps with a word of encouragement to try a bit harder today. "Do hurry into work on time dear, we need that break in Majorca."

Most of the major travel companies and airlines are now involved in the incentive travel market and over the years a variety of schemes have been produced which take care of some of the objections, both practical (once you start it how do you stop it?) and financial (what about the taxman?).

## Excursion

In many cases the incentive trip can be allied to a business excursion and thus benefit both employee and company. Holding sales conventions in exotic spots can be a considerable boost to corporate morale and can help sales if attendance is conditional upon reaching a certain norm. Not long ago I went to a small UK sales conference in a provincial French village restaurant. The company found it paid to stage its convention there than in a London West End hotel, even after the cost of an aged charter aircraft. Everyone seemed to think it was a jolly idea and it gave the employees a measure of warm feelings about their organisation.

However, if as an employer you are considering incentive travel as a means of motivating staff, do get more than one opinion. It is not going to cost possibly cost less so there is little point in indulging in do-it-yourself travel unless there is considerable travel expertise within your own organisation.

Unfortunately incentive travel, while a massive growth business both here and in the U.S., has not attracted the interest it might from the average travel agent.

Specialists in the field tend to know the traps and wrinkles of the game. For example, it is very easy when offering a trip abroad as a reward to spend an enormous amount on the flight and hotel, and then pull the financial carpet from under the prize winner. If your prize sales couple cannot in fact afford their rum punches when they get to Barbados you could find yourself with a disgruntled employee rather than a delighted one.

The good incentive trip organiser, be it for groups or for individuals will ensure the little touches which really drive home the message. A bouquet of flowers perhaps in the prize winner's room on arrival ("... welcome to Barbados Mrs. Jones, and congratulations on being married to the best salesman in the group. Signed John Smith, chairman").

Next year she'll carry his brief case to his car for him in order to get him out on the road early, and other spouses will get the message soon enough. It's a big bad motivational world we live in.

## Pricing

Larger companies may well be in a position to buy bulk rates for their incentive travel, but even the very small organisation is able to get advantageous pricing by linking up with others through an agent. It need not all be exotic, of course. Rewards can range from a simple country weekends and basic package holidays upwards. I know of one company which gives visits to Health Farms and spas there. The fact that these study trips tend to be to the Riviera, Spain and even California is something between the company's employees and the Revenue no doubt.

Drawing the line between what is business and what is holiday can be extremely difficult in these circumstances. Not long ago I was at a sales conference in Monte Carlo. The entertainment for the sales people was long and lavish, with lots of dancing and dining by floodlit pools. But the work done during the day was impressive and the benefit to the company was probably far in excess of the considerable investment that had gone into it. Yes, the delegates all had a good time and returned to their northern climes with sun-tans and mild hangovers, but they also knew a great deal more about their business than they had before they departed. It is highly likely that the incentive travel market will continue to grow. This is particularly true since the giving of direct financial reward or effort is now made increasingly difficult by tax considerations. Union involvement in salary scales and Government incomes policy. Perhaps we are approaching the time when more and more companies will pay, but not only holidays with pay, but also holidays with tickets — only to the employees they wish to keep, of course.

A.S.

مكتبات الأمل



# Hotels fill up the beds

THE NEXT couple of years prime needs of the business should prove interesting, if community which spurred the business user of hotels. The regular large American groups into main reason for this is that sixties.

These larger groups trade on apart from such spectacular exceptions as the Middle East, room supply in many of the world's business destinations. The result has been pressure on hotel margins and, in effect, a buyers market for hotel services.

Over-supply of hotel rooms was largely the result of the late 1980's boom in the travel market. As economies boomed and 747s entered the fleets of the world's airlines, so hotel industry investors poured money into new properties. Then came the recession and much of the new accommodation was left under-occupied. In London and Munich, Bombay and Nairobi, there were similar tales to tell.

In spite of continued economic problems there were strong signs that the absence of major building for the past couple of years has produced a position in which cities can once more talk of bed shortage at certain times of the year. The cry of "house full" that went up over London recently may have produced some rapped knuckles at the London Tourist Board which, say the hoteliers, was a bit quick off the mark with its pessimism, but the trend is certainly there.

There are still parts of the world which are a buyers' market, particularly if you intend holding a conference. There has been a tendency of over-build in some parts of the Far East. I have even heard it suggested that the mid-eighties will see a surplus to accommodation in the Arab world such has been the rush to meet the new demand. In the major cities of the industrialised west, nonetheless, occupation levels are rising.

Major hotels, however, rarely make their marketing play on the basis of rates. Usually the attractions offered are good locations, good basic services such as telephones, and the ability to react to the sudden need for conference or entertainment facilities. It was the knowledge that these were the

The sad story of the hotel business over recent years as far as the traveller is concerned revolves around costs. Hotel tariffs seem universally to have risen faster than inflation. London's big rises came in the year 1976-77 when demand and supply came quite close to each other thanks to a successful business season being added in the touristic attractions of Jubilee year.

## Convinced

Exp-O-Tel, one of Britain's brighter hotel booking agencies, recently reported that the average rise in London hotel rates in the past 12 months has been about 20 per cent, but that this compares with 35-40 per cent in the previous year. Refurbishing the Ritz seems to have convinced the new owners Cunard that a higher rate is justified and its prices have risen by 25 per cent according to the agency, in the past year. This, however, is still beaten by the Holiday Inn, London W1, which has raised prices by 27 per cent.

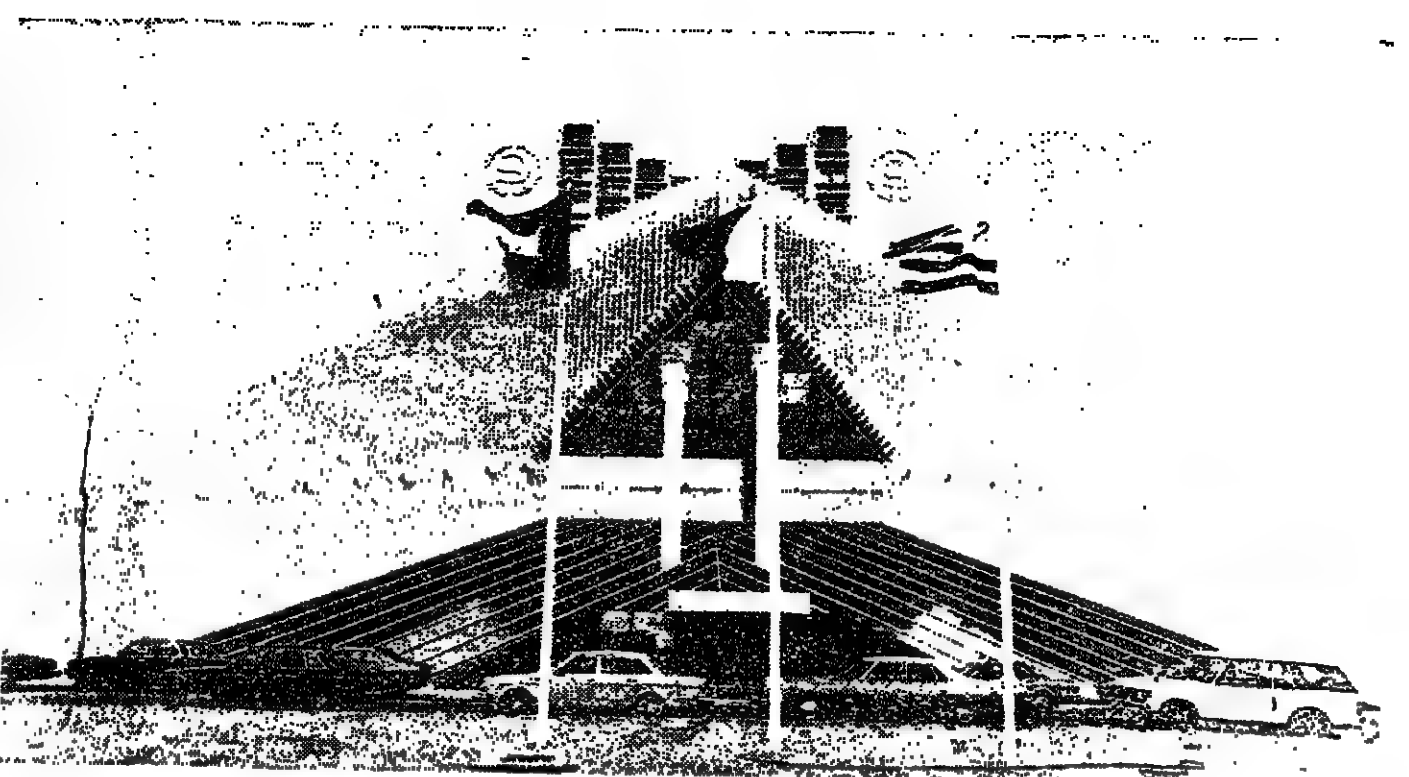
Those rival neighbours the Ian on the Park and the Inter-Continental now share the

doubtful honour of being the hotels in London with the highest published room rates. In both hotels a single room with bath and breakfast will produce a bill topping £50 for one night.

The London experience is not, however, unique. Hotels around the world are under the same pressures and basically those centre on the fact that employing labour is not inexpensive these days. Any labour intensive industry—and in spite of what some customers calling room service might think the hotel world is labour intensive—is likely to be suffering from rapidly rising costs.

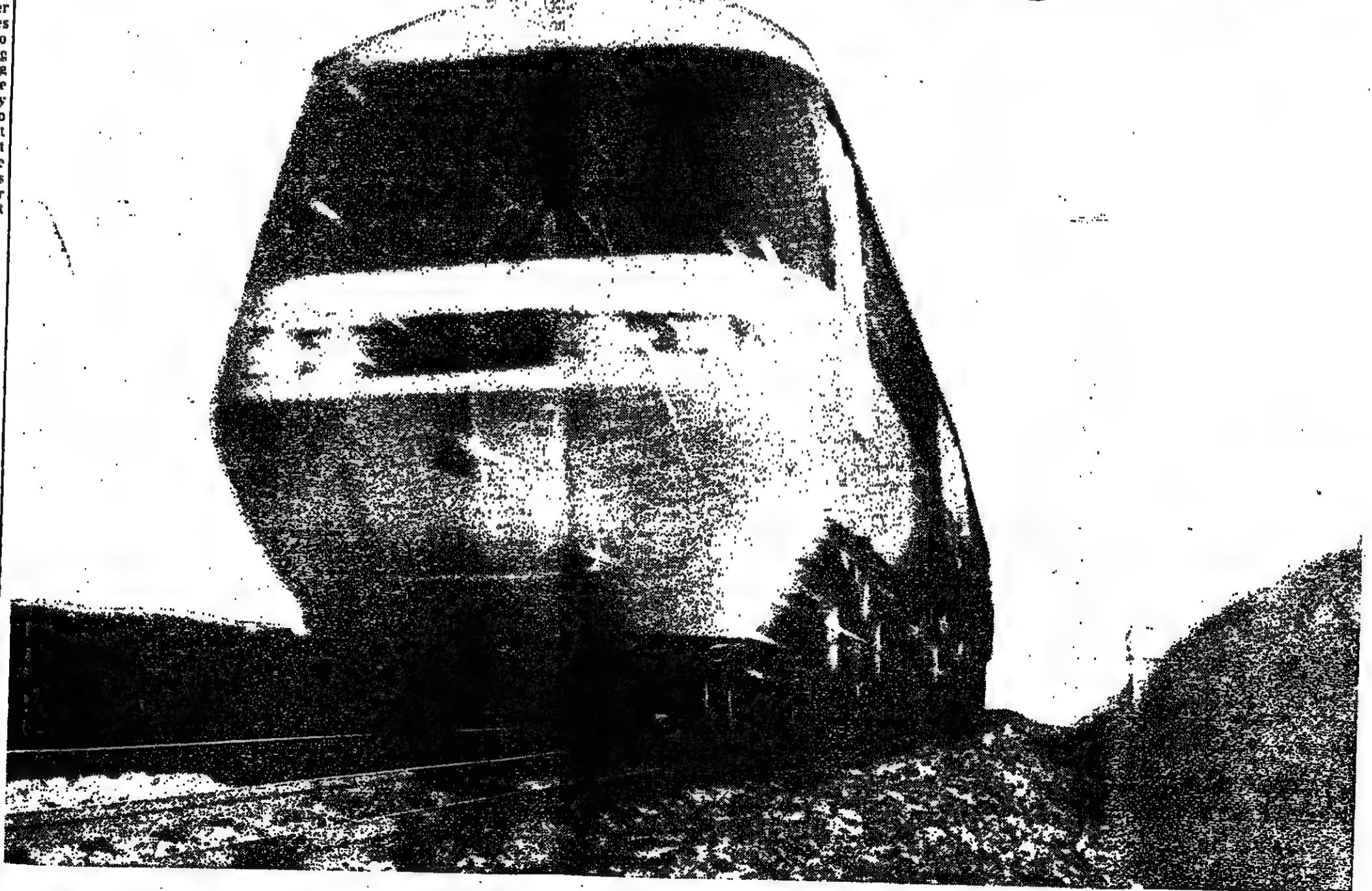
The result is, of course, that over the next few years present trends are, unfortunately, likely to continue. Hotel prices will rise and, sadly, hotel services other than at the very top end of the market, will decline. They may find a way of ensuring that guests can escape quickly in the mornings but I doubt very much if a way will be found to serve Vodka Martini, shaken not stirred, at 3 a.m. without payment of a king's ransom.

A.S.



The new Sheraton Hotel in Dubai which was opened last month.

# The new Journey Shrinker will help business grow!



## Specialist agencies

INTERNATIONAL TRAVEL tours to Majorca.

may have flown quicker over the years, but it certainly has not grown simpler. The do-it-yourself traveller is likely to find himself in a maze of visas, airline schedules, currency restrictions (these not ours) health requirements and public holidays. It is hardly surprising therefore that in recent years there has been an explosion in the business travel specialist market. More and more companies are giving up the attempt at self help and turning to these specialist agencies, who themselves often turn their backs on the passing trade of conventional holiday package tourism.

As in other areas of the travel market the user of these specialist houses tends to be seeking convenience and service rather than a price saving. Although there has been a considerable growth in packaging for the business market the bulk of the business continues to lie in the ability of the agent to produce the right tickets and documentation at the right time.

## Commission

Although fees are sometimes involved the bulk of this activity is done at no direct cost to the consumer, the agency making its money out of the commission rates involved. In theory, therefore, the use of a specialist travel house should produce immediate and apparent savings to its customer both in administration and, if the agency is properly efficient, in the actual cost of travel.

Business travel specialisation involves a degree of extra work which many normal travel agencies seem unprepared to offer. It requires a high degree of expertise and a willingness on the part of the agent to develop a special understanding that with his clients, knowing the full type of hotels which are preferred, whether some directors require lusher meals, knowing Gibson will sell you a week in that some senior executives will always go by train in preference to air if the possibility exists.

This is the sort of mutual working relationship which involves a much closer involvement of staff than many agencies can boast and therefore some agents prefer to turn their back on such complications and stick to selling

To some extent this view is justified. A business account can be very expensive to handle. All the agent's revenue comes from commission and this varies according to the type of traffic being handled. The worst sort of customer is one who buys large quantities of British Rail tickets (commission normally 5 per cent) and the best is one that makes frequent first class air trips to Australia (commission 8 per cent) and rents expensive cars when he is there (commission 20 per cent).

The normal customer is one who does both and thus the specialist agency will take the rough with the smooth. Most of them will, however, make a close analysis of any potential client's travel patterns before leaping in with offers to do the paper work.

The specialist house will normally offer a great deal more in the ability of the agent to issue tickets. If you are getting good service from your agency it will be telling you of health and visa requirements (and getting the visas for you rather quicker than a member of the public might get them) and warning you that the day you plan to arrive happens to be a public holiday. It will point out ways of saving money ("with just two more people on the trip, Sir, we could make it a tour and it would actually cost you less") and give you service at 5 a.m. on Sunday morning if you are in the sort of business that requires it.

Beware of the travel agent who regularly just gives you what you ask of them without pointing out that by staying one more day you will get a considerable saving or that the load factor on some routes is so low that it might be worth the risk of trying for a standby ticket rather than paying the full fare. Specialists like Turnbull, Gibson will sell you a week in Cairo for less than the price of the economy round trip, and you'll stay at the Sheraton; Barry Martin Travel will get you into Moscow when others are struggling to find space; and Lunn Poly will snatch you a discount at hotels which normally turn their noses up at such things.

A.S.



Interior door open and close automatically

This month Inter-City 125, British Rail's high speed train has started regular service between London, the Northeast and Edinburgh. Opening a new era in rail travel on one of the key business routes to and from London.

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London-Darlington	2hr 59min	2hr 38min	21min
London-York	2hr 31min	2hr 10min	21min
London-Bristol (Temple Meads)	-	1hr 27min	-
London-Cardiff	-	1hr 43min	-



You can get draught beer and lager in the Buffet Bar 125

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# Inter-City 125

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AIR FARES apart, the world's scheduled airlines genuinely try to woo the business traveller, and the range of their services is vast indeed. Their problem is that they have very little room to manoeuvre, for under the rules of the International Air Transport Association, to which most of them belong, they are obliged to offer common fares, while in many instances they are obliged also to offer common standards of cabin service, also fly the same types of aircraft, and frequently also schedule their flights within minutes of each other.

As a result, most of their efforts to attract, and keep the business traveller, fall into two broad categories—what they can do within the rules to make his flight more comfortable, and what they can do on the ground to make his journey to, through and from the airport more convenient, and to help make his stay more profitable to himself.

In the air, the IATA rules preclude extravagant meals or give-aways outside the first-class cabin (where it can be argued that the fares are so high that all the business traveller really gets, in addition to ample leg room, is the most expensive dinner in the world). As a result, their efforts to make life for the business traveller more comfortable are restricted to such things as trying to segregate him into a cabin along with others of his kind, so that he is not disturbed by the rest of the passengers (a boon on long-distance journeys, where some travellers tend to allow their children to run wild up and down the aisles to the annoyance of other passengers trying to rest or work).

On the ground, the airlines have much more freedom to act, and it is here that they can do most to help make things run smoothly. Many airlines now offer secretarial and translation services, help travellers make hotel bookings, provide exclusive transport into town, help to organise conference rooms, provide booklets in different languages setting out details of the country concerned, give priority in bookings to business travellers, and so on. The rivalry is endless, and there is hardly any scheduled airline in the world that does not do something in this way to make the lot of the business traveller easier.

### Bulk

It is right that they should. For, business travel is increasing. Despite the sharp swing towards cheap-fare consumerism among the major transatlantic airlines over the past nine months or so, the fact remains that business travel on the North Atlantic air route alone has increased dramatically in recent years. A report prepared for the International Air Transport Association on the basis of a major in-flight survey of passengers shows that business travellers in 1977 accounted for 28.8 per cent of the total traffic, compared with 21 per cent in 1976 and 19.9 per cent in 1975. This compared with 30.4 per cent for vacation travellers in 1977, 27.9 per cent for those "visiting friends and relatives" (otherwise known as VFR traffic) and 12 per cent for the rest. This indicates that while non-business traffic still accounts for the bulk of the market on the North Atlantic route (that is, if vacation, VFR and "other" traffic is combined to form the non-business category), the purely business element is growing. Just how far this trend is being maintained in the current period of very cheap fares (first introduced last winter, with Budget Plan and Stand-By rates) remains to be seen, but the figures clearly indicate that the business travel element remains sufficiently large to ensure that the airlines cannot afford to ignore it, on one of the world's major air routes.

On many other routes, business travel is the mainstay of the system. Another IATA survey shows for example, that on routes between Europe and the Middle East traffic is growing faster than anywhere else in the world, at an average annual rate of about 21 per cent, and that by far the greatest proportion of the passengers are business travellers. A correspondingly rapid growth is taking place between Europe and the Middle East and West Africa, again largely, if not wholly, as a result of the growth in business traffic.

One result of the recent swing to consumerism—that is, to cheap fares—is that current concepts of carriage, as they have evolved on the world's scheduled airline system over the past 30 years, with the businessman mainly in mind, may have to change. There is nothing strange in this. Contrary to many beliefs, the airline industry has always been flexible and responsive to change. Whereas in the early stages of post-war development the one-class, system predominated, the pressures of demand quickly led to the establishment of new classes of travel, with Pan Am introducing the Tourist-Class seat in the early 1950s, that eventually gave way to the Economy-Class seat of today, together with the wide range of supplemental types of carriage, including today's Budget-Plan and Stand-By cheap fares. The Laker Skytrain concept of a no-reservations and no-frills service is attracting a number of businessmen obliged to make short-notice visits to the U.S. or UK.

### Developments

Among developments now being planned which could carry this concept of change even further are the provision of 11-abreast seating in the rear compartments of today's wide-bodied jets, such as Boeing 747s, and the possibility of a total restructuring of fares, involving the abolition of first-class as we know it today, and its replacement by a "business class" fare, at a little above today's economy fares. This would be accompanied by a "holiday class" fare for leisure travellers, with a few seats at the back end of the cabin for the last-minute Stand-By types of passengers. El Al of Israel has been prominent in promoting this change, but it has yet to find favour with the other airline business who believe that some such developments can be staved off for long, under the immense low-fare consumerist pressures now being generated.

In the meantime, British Airways is among the leading airlines which relies heavily on business travellers for a substantial proportion of its revenue—and in 1977-78 it is aiming to win at least £800m worth of business from this class of passenger, representing some 48 per cent of total revenues. The range of facilities that it offers the genuine business traveller is considerable, many of which are outlined in a new brochure, "British Airways and the Business Traveller", which is obtainable free of charge from the airline. This contains information on a large number of individual city centre package trips, trade fairs and exhibition packages, special rates for conference visitors and other items.

On a more immediately practical note, British Airways this year is improving the service it offers to its 50,000 world-wide "Executive Card" holders, by providing more executive lounges at airports such as Cologne, Geneva, Vienna, Budapest and Johannesburg, with a facility for many of the other such lounges round the world. In addition, several airports will offer more first-class check-in desks, some of which will be available to cardholders even if they are travelling economy-class. The already popular "two for the price of one" hotel deal, which currently offers a hotel room for husband and wife at a single rate at 180 hotels in 27 countries, is being extended to include more hotels and a greater number of destinations. For the first time, the Executive Card will also be backed by a fully computerised data file to control the card mailing list. This will confine the material received by cardholders to the subjects in which they have expressed a particular interest.

British Airways is also extending many of the back-up information services it provides for businessmen, including its popular series of information packs that in a pocket-size, quick-reference form contain printed cards with city and airport information, flight schedules and business contact addresses, for 24 countries throughout the world. BA is also producing a new, bigger issue of its "Businessmen's Guide to Eastern Europe", which in its new edition of 38 pages contains more information on business practices, hotels, restaurants and shopping facilities, plus a new section headed "Time Off," with details

## BUSINESS TRAVEL VI

# The airlines work hard

of leisure, cultural and sporting activities.

Pan American, another of the world's major airlines which relies heavily on business travellers on many of its routes, is among those which has tried to make the lot of the business traveller more congenial. The airline admits that a substantial share of its revenues comes from a small group of repeat travellers who fly Pan Am frequently. As a result, the airline decided some time ago to establish what it calls its "Frequent Travellers" programme—a system which identifies these passengers to Pan Am employees through special PT identification cards, luggage tags and stickers on baggage. Various phases of Pan Am's staff training are aimed at telling employees how to "Recognise and React." As part of this programme, Pan Am includes a special Frequent Traveller section on all its 747s and 747 Special Performance long-range jets, whereby standards of comfort and service are higher than for economy class passengers, while the airline also produces a bi-monthly magazine for all Frequent Travellers with information about new routes and services, and other useful items. Last year, this programme continued to grow in both numbers and importance, says the airline, and while the programme is open to all applicants, "it is travellers who make at least five overseas trips annually who most appreciate its services."

### Aids

But even when all of these proliferating aids are taken into account, what the average businessman wants more than anything else from any airline is comfort, punctuality, reliability and safety. All of the in-flight gimmicks in the world, from "Frequent Traveller" sections to the ability to perform isometric exercises while sitting in his seat, will not compensate the business traveller for an aircraft that leaves late, that is dirty, or crewed by unhelpful staff, or is re-routed or otherwise delayed. What is most surprising to any frequent traveller around the world's scheduled airline network is how few of the operators really seem to realise how fragile this element of goodwill can be, and how easily they can destroy it by clumsy or tactless handling.

On the other hand, the business traveller himself has to accept that the overall pattern of world air transport is changing, and that what began in the period immediately after the Second World War as a mode of travel for the better-off is now becoming internationally accepted as the best way of getting anywhere. New generations are growing up who accept the aeroplane as a fact of life, with no feelings of wonderment about it, and little real appreciation of the problems or the pain that were involved in establishing the worldwide system of scheduled air services as we know it today.



Businessmen relaxing on a DC-10.

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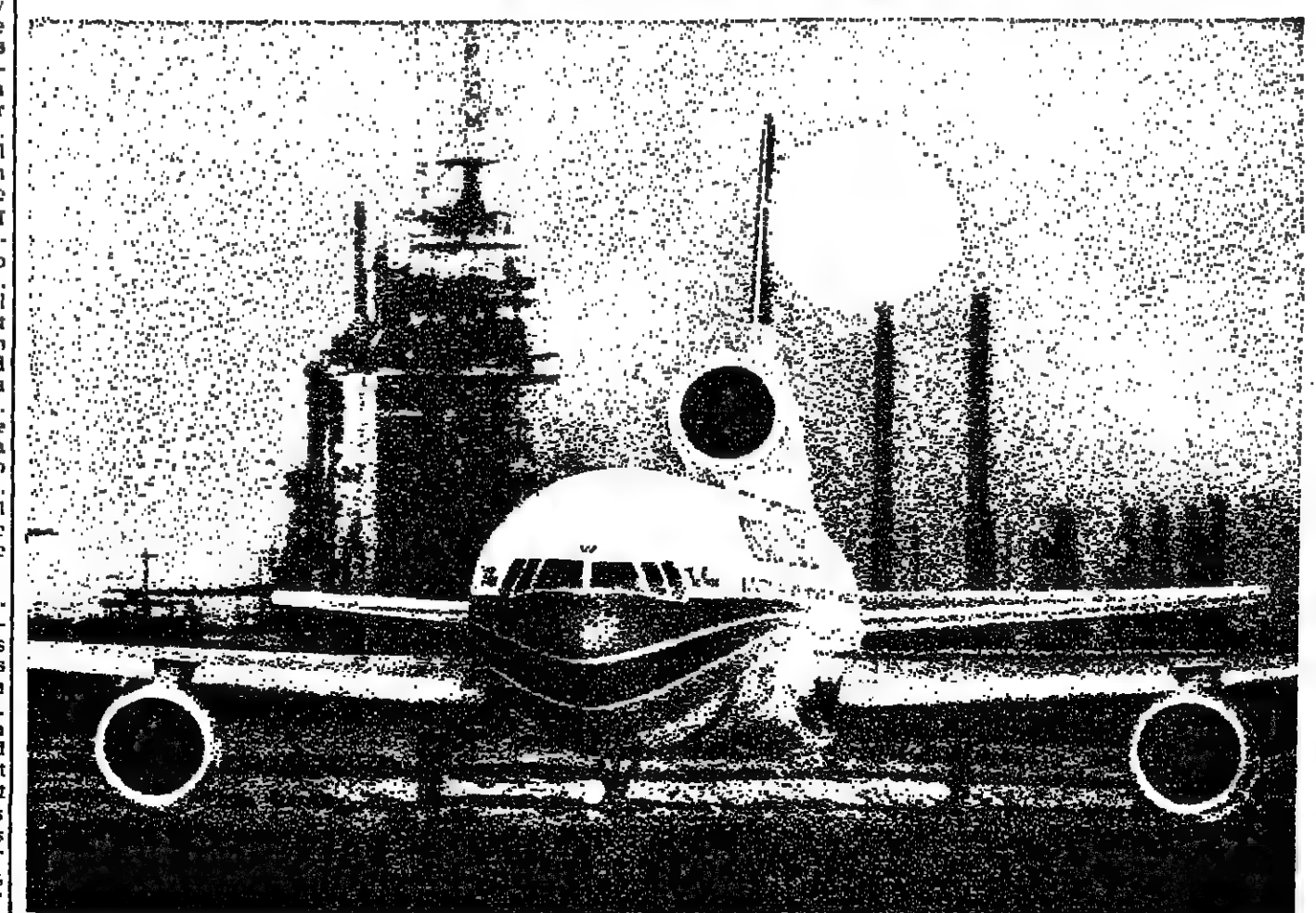
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هكذا مات الأهل



## FARMING AND RAW MATERIALS

## Moves on NZ-Japan food trade

By Dai Hayward

WELLINGTON, May 22

NEW ZEALAND/Japan trade negotiations which reached an impasse when New Zealand banned the Japanese fishing fleet from its 200-mile zone on April 11, may be reopened following a meeting between the NZ Prime Minister and former Japanese minister of Agriculture, Mr. Zenko Suzuki.

The meeting was held in Australia where both men were attending Sir Robert Menzies funeral.

NZ Prime Minister, Mr. Robert Muldoon said the results were encouraging. He regarded the fact that the Japanese had initiated the meeting as significant.

The trading areas raised by the Japanese were beef, dairy produce, timber and squid. The question of Japanese fishing rights was not raised and Mr. Muldoon believed this reflected Japanese acceptance of the NZ view that progress must first be made on other trade problems.

On beef, it was not suggested that retail beef prices would be lowered. However, domestic prices will be held at last year's level. The Japanese will also improve distribution and expand export quotas for beef. Mr. Muldoon termed this a reasonable step.

Small concessions were suggested on dairy products under which the Japanese would buy NZS 6m worth of butter, oil and skim milk powder from New Zealand for distribution as aid to third countries. Mr. Muldoon believes this "is something that could be worthwhile."

The Japanese Government is still evaluating NZ reports on the suitability of NZ timber for the Japanese market.

Tariffs on squid imports would be reduced from 10 to 5 per cent, and squid caught by joint fishing ventures would be imported duty-free.

The New Zealand Cabinet will now consider whether these moves suggested progress to allow the re-opening of Japanese fishing rights negotiations.

## MALTA PLANS FISHING FLEET

By Our Own Correspondent

VALETTA, May 22

MALTA is to set up a 16-trawler fishing fleet jointly with Libya and with financial assistance from Kuwait.

Premier Mr. Dom Mintoff told the Maltese Parliament that Kuwait had already provided Malta with £31.7m repayable in 15 years at an interest rate of 3 per cent.

## Copper market boosted by Zaire output fears

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES advanced again on the London Metal Exchange yesterday following the weekend reports that the Kolwezi mines in Zaire had been flooded and would not be producing for six months or so. Cash wirebars closed \$11.5 up to \$73.4 a tonne, the highest level since July last year.

The market was also boosted by a fall in copper stocks held in LME warehouses. The decline of 2,650 tonnes in stocks cuts total holdings at 540,900 tonnes to the lowest level for nearly two years.

Sozocom, the Zaire metals trading company, announced that it was maintaining its contractual deliveries from supplies which are already in the pipeline. But production will obviously be severely hit if the mines are flooded and forced to remain closed for six months, since Kolwezi is an important contributor to Zaire's copper output, estimated currently at around 490,000 tonnes a year.

The threatened further reduction in Zaire copper supplies, already reduced by transport and production problems, comes at a time when the copper market

output reductions in North America.

Reports of political unrest in Peru—another growing copper producer—are also raising expectations that the large surplus stocks, which have kept prices at cheap levels for so long, may be reduced to more reasonable levels.

Other base metal prices were buoyed up by the strength in copper, and the early weakness in the value of sterling.

As expected, tin stocks held in LME warehouses showed a small increase of 70 tonnes, raising the total holdings to 2,285 tonnes. This is the first rise in tin stocks for six weeks. However, a feature of the market was demand for high-grade cash tin, pushing it to a premium over the standard grade, which remained above the three months quotation.

Stocks of zinc fell by 750 to 38,400 tonnes, while zinc holdings rose by 850 to 52,250 tonnes. LME silver holdings fell by 60,000 to 17,800,000 ounces.

One of Zambia's leading cobalt suppliers has raised its price for refined cobalt cathodes by almost 30 per cent to \$5.50 a pound. Announcing the rise, Minchanga Consolidated Copper Mines, principals of Memaco Services, the Zambian state marketing body, said it stemmed from increased demand.

The troubles in Zaire, the world's largest cobalt supplier, may also have had some effect although the extent of disruption in the mining areas has not been fully assessed.

But production will obviously be severely hit if the mines are flooded and forced to remain closed for six months, since Kolwezi is an important contributor to Zaire's copper output, estimated currently at around 490,000 tonnes a year.

The threatened further reduction in Zaire copper supplies, already reduced by transport and production problems, comes at a time when the copper market

## Early end to rubber pact talks

BY OUR COMMODITIES STAFF

PRELIMINARY TALKS between producer and consumer groups in Kuala Lumpur ended two days early after the producers had presented their proposals for an international pact aimed at stabilising the world rubber market.

Consumer countries will now examine the draft proposals in detail before holding meetings of their own in the next two months to seek a common position to present to the next round of the United Nations rubber negotiations in Geneva.

Consumer representatives said the talks had reinforced the belief that there was a strong need for the "floor" price in the Agreement to be protected at a level adequate to ensure long-term supply expansion. But they said they were unhappy with the producer proposals in several areas.

They thought, for instance, that a suggestion that the first 100,000 tonnes "entry fee" to the Agreement should be shared equally between all members might discourage small countries such as Luxembourg and the African producers from joining.

A proposal for supplementary export quotas to protect the Agreement's floor price could also create an area of dissent.

The consumers noted that the proposal was not balanced by measures to protect the proposed "ceiling" price.

Doubts were also expressed on the wisdom of relying on the United Nations fund to finance part of the stockpile, and on the need for a fund to finance rubber research.

In more general terms the consumers are seeking to discuss alternative ways of financing the buffer stock, possibly involving levies to supplement national contributions.

The producer draft proposed a 400,000 tonnes buffer stock including a 100,000 tonnes contribution by the United Nations fund. It also envisaged a supplementary system of export controls if stockpiling proved insufficient to maintain prices within an agreed range.

Under the producer plan, member countries would finance 100,000 tonnes of the stockpile equally, and another 300,000 tonnes would be divided between the producer and exporter groups in the proportion to individual countries' market shares.

On the London market yesterday, natural rubber prices con-

tinued last week's advance, encouraged by the early weakness of sterling. The RSS number one option, which had been 0.25p higher at 55p a kilo—the highest level since last October. Futures market prices also closed higher.

Nylon woolpacks go on trial

MELBOURNE, May 22

THE Australian Wool Corporation is conducting full-scale trials with new wrappings for wool in bales.

The corporation has been assessing nylon as an alternative woolpack material, following complaints about contamination of wool by polypropylene and jute.

Manufacturers have said infiltration of pack fibres into wool has affected dyeing and processing quality.

Textile Organisation to ban polypropylene packs, presently used to pack about 80 to 90 per cent of Australian wool.

On the London market yesterday, natural rubber prices con-

## Cheaper coffee forecast

WASHINGTON, May 22

THE DECLINE in coffee prices is likely to continue throughout 1978, according to the U.S. Agriculture Department's Foreign Agriculture magazine.

Producer-held stocks totalled about 54m bags on March 31, representing about one year's world import supply at current demand levels, the magazine said.

The turnaround in world coffee supply outlook which began in April, 1977, and the sharp drop in green coffee prices which followed, helped bring Brazil and other producers back into the market in 1978, it stated.

During April to June, 1977, very little stocks were drawn down and exports fell off by almost 5m bags.

Stocks rose almost 2m bags from June to September, 1977, due to a sharp decline in Brazilian exports and in the last quarter of 1977 world stocks rose almost 7.5m bags to about 51m, again because of low Brazilian exports.

The possibility of frost damage to the 1979 Brazilian crop and other supply variables could cause prices to fluctuate, but the trend points to a decline in prices, Foreign Agriculture said.

Japan to ban non-agreement whale imports

TOKYO, May 22

THE JAPANESE fishery agency will shortly ban imports of whale products from countries outside the international whaling commission (IWC).

An official request last year to importers and users to halt whale meat imports from non-IWC members—including South Korea, Peru, Spain and Somalia—was insufficient to stem the inflow, and the agency is now negotiating with other ministries to introduce a ban under Japan's trade control laws, a spokesman said.

An IWC meeting in Canberra last June approved resolutions on halting imports of whale products, including meat and oil, from non-member countries.

Last year Japan imported 36,700 tonnes of whale meat, including 7,300 tonnes from non-IWC countries.

Reuter

## U.K. BUTTER MARKET

## NZ steals a march on the competition

BY CHRISTOPHER PARKES

BRITISH FOOD traders are planning to complain to the Common Market Commission in Brussels about alleged distortion of the UK butter market which has given New Zealand an unbeatable advantage and stifled competition from British and Continental dairies.

They also charge that the UK Government has been largely responsible for the anarchy now ruling in the butter business.

The New Zealanders have stolen a march on their EEC competitors. Before Christmas, the UK brand accounted for 20 per cent or so of weekly butter sales. Now the market share is up to 40 per cent. "And the only thing stopping them from getting 50 per cent, is the lack of packing capacity," one disgruntled competitor complained yesterday.

The reason for the New Zealanders' success is not hard to find: their butter is the cheapest in Europe. Milk Marketing Board figures show that on May 15 New Zealand butter was available first hand at £1.77 a ton. England's own Country Life cost £1.292. Kerrygold from Ireland was £1 a ton dealer, and the Danes' Lurpak cost £1.400.

The official support buying price paid by the Intervention Board for supplies taken off the market is £1.400.

Dealers complain that the Government is effectively handing over control of the market to the New Zealanders and that the market is being distorted by their low prices.

One substantial dealer claimed that the Government gave the New Zealanders a warning of likely changes in import levies so that importers could increase

their stocks before levy charges went up.

He claimed that since November 19 last year levies on NZ imports had increased by £374.50 a tonne. In the meantime, market prices for Anchor had gone up a mere £50 as the shippers spread the impact of the levy over fresh imports and stocks landed before the levy went up.

Why the New Zealanders were making the most of the market while the going was good. It is vital for the future of the trade for New Zealand to keep up its exports of butter to Britain and to sell its full quota each year if it is not to weaken its case for retaining access in the long-term future.

There is much talk of a fall in butter consumption this year as prices—estimated at between 8p and 12p a pound—work their way finally to the shops. And it is suggested that by selling heavily under current conditions the New Zealanders will have no trouble disposing of their full 1978 quota regardless of what happens later.

New Zealand appears to have been singled out as the butter trade scapegoat. While the prominence of Anchor brand in the sales charts is a constant irritant to some EEC suppliers, this is a particularly unfortunate moment for it to be so far ahead of the competition.

Many traders are now suffering severely for blunders they made towards the end of last year. They imported many thousands of tons of butter before Britain's accession to full membership of the EEC brought a cut in import subsidies.

Butter traders' frustrations lie in the abundance of cheap stocks to hand they could counter the effects of

subsidy cuts and sundry other problems, and retain or even increase their shares of the lucrative British market. But they seemed to forget about New Zealand and apparently underestimated the strength of the Government's grip on food prices. They are now paying for their oversight.

Official figures put current butter stocks—excluding the growing tonnage in intervention—at 178,000 tonnes, or six months' supply.

Some of that butter has been in cold store for at least five months and its unfortunate owners are having to pay £3.50 a tonne a week for cold store rental. The butter they are managing to sell is being disposed of at about 260 a tonne below replacement cost.

What is more, the Government usually supply manufacturers of blended butter. National brands have been struggling to retain something of their share of the market—mainly by cutting prices to somewhere close to the NZ level—but blends have taken a beating. A few months ago 27 per cent of the butter retailed in Britain was blended, but the proportion has now slumped to about 15 per cent.

The New Zealand Dairy Board rejected charges that it was distorting the market with the help of tip-offs from the Government.

It was still selling stocks released from bond before the last rise in the import levy in November. "We have taken a when we have a price advantage and periods when we don't," a spokesman said.

"Everybody needs a whipping boy. But the source of the butter trade's frustrations lies in the abundance of cheap stocks to hand they could counter the effects of

## UK potato futures market studied

BY OUR COMMODITIES STAFF

THE INTRODUCTION of a time in the near future, thus removing the major cornerstone of its marketing policy.

In this environment, a futures market could provide a valuable means of coping with price uncertainty," the paper says.

However, the study adds that the potential for a futures market to exert a great influence on the industry's own willingness to develop the market and there

are considerable doubts among producers and processors.

At this stage producers are worried that the futures market might undermine moves by the Potato Marketing Board to stabilise prices.

"A British Potato Futures Market: A Preliminary Appraisal," by N. A. Young, Centre for European Agricultural Studies, is published by Agro Europe, price £25.

## COMMODITY MARKET REPORTS AND PRICES

## BASE METALS

COPPER—Sharply higher on the London Metal Exchange following news of the flooding of mines in Zaire.

Three months 74.5-75.4

One month 73.4-74.3

Spot 73.4-74.3

Three months 74.5-75.4

One month 73.4-74.3

Spot 73.4-74.3

Three months 74.5-75.4

One month 73.4-74.3

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Three months 74.5-75.4

One month 73.4-74.3

Spot 73.4-74.3

Three months 74.5-75.4

One month 73.4-74.3

Spot 73.4-74.3

Three months 74.5-75.4

One month 73.4-74.3

Spot 73.4-74.3

COCAOA

Cocoa—Higher on the London Cocoa Exchange following news of the flooding of mines in Zaire.

Three months 1,100-1,110

One month 1,090-1,100

Spot 1,080-1,090

Three months 1,100-1,110

One month 1,090-1,100

Spot 1,080-1,090

Three months 1,100-1,110

One month 1,090-1,100

Spot 1,080-1,090

Three months 1,100-1,110

One month 1,090-1,100

Spot 1,080-1,090

Three months 1,100-1,110

One month 1,090-1,100

Spot 1,080-1,090

Three months 1,100-1,110

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Three months 1,100-1,110

One month 1,090-1,100

Spot 1,080-1,090

Three months 1,100-1,110

One month 1,090-1,100

Spot 1,080-1,090

COFFEE

Coffee—Higher on the London Coffee Exchange following news of the flooding of mines in Zaire.



## STOCK EXCHANGE REPORT

Anxieties about Government's financial policy remain  
Funds and equities easier again but close above lowest

## Account Dealing Dates

## Option

## First Declara-

## Last Account

## Dealings Date

## May 22

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## May 25

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## May 27

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## June



## OFFSHORE AND OVERSEAS FUNDS

[illegible][illegible]







INDUSTRIALS-Continued

High	Low	Stock	Price	Diff	Vol	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981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# FINANCIAL TIMES

Tuesday, May 23 1978

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## UK-Germany closer on growth measures

BY GUY DE JONQUIERES

BRITAIN and Germany appear to have narrowed their differences over how to stimulate economic growth and stabilise currencies.

Mr. Denis Healey, Chancellor of the Exchequer, said after a meeting of EEC Finance Ministers here today that Britain was prepared to join other governments in studying detailed proposals for associating EEC currencies, including sterling, in some form of new monetary arrangement.

He said that the Ministers had instructed the EEC Monetary Committee, composed of Treasury and Central Bank experts, to prepare a range of alternative proposals and assessments of their impact on individual countries. The Ministers had agreed to discuss them at their next meeting on June 19.

He said that Britain's attitude would depend on a close evaluation of the schemes, which would vary in the degree of stringency imposed on participating currencies. But he emphasised that the UK would insist that any plan involving really tight links between currencies must be accompanied by a substantial transfer of resources from richer to poorer EEC members.

The Monetary Committee's report will also include possible permutations of the pooling of EEC reserves, wider use of the

European unit of account in the exchange rate mechanism and other ideas discussed by EEC heads of government at their meeting in Copenhagen last month at which Chancellor Helmut Schmidt of West Germany called for new EEC monetary arrangements.

Britain's greater willingness to examine Community action in the currency field seemed to be matched by a softening of West Germany's attitude towards demands that it do more to boost its economy. The German delegation still refused to commit itself to taking any new measures.

### Doubts

Mr. Healey said that Herr Otto Schleier, State Secretary at the Bonn Economics Ministry, who led the delegation, appeared impressed by other governments' expression of willingness to boost their economies. He promised to make their views known as part of the German Cabinet's discussions on growth policy.

According to Mr. Healey, four of five Finance Ministers said that their governments had decided on or were considering a monetary union. He added that Britain was not among them, but it could decide to do more in the autumn if other EEC countries agreed on a com-

mitted monetary programme. The German delegation expressed severe reservations about the conclusions of a report by the European Commission, which listed, in descending order, the "room for manoeuvre" available to each country in contributing to such a programme. The list was headed by Germany, followed by the Benelux countries, with Ireland and Italy bringing up the rear.

It is understood that in the report submitted today the Commission had originally suggested that the 4.5 per cent average growth rate target set for mid-1979 implied national growth rates of 4 to 4.5 per cent for both France and Germany next year. These recommendations were later omitted, apparently under West German pressure.

According to the Commission, the EEC's average growth rate will be as low as 3 per cent by the middle of next year and unemployment above its current level of about 6m unless present policies are changed.

Mr. Healey re-emphasised today that it was important for the UK to take as many decisions as possible at the next meeting of EEC heads of government in Bremen on July 6 and 7. This meeting is intended as a preparation for the seven-nation Western economic summit in Bonn later that month.

## Massey sheds staff as sales of tractors fall

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

MASSEY-FERGUSON, the Canadian-based multinational, announced 1,070 redundancies at UK plants yesterday. The 4,700 strong manual workforce at the two Coventry tractor factories will be cut by nearly 20 per cent.

Redundancies had been expected at Coventry in response to the fall in world demand for tractors. But the size of the cut has caused some surprise in the industry.

The Banner Lane factory, Coventry, one of the largest tractor plants in the Western world, last year accounted for 27.5 per cent of Massey-Ferguson's 172,900 worldwide sales. Massey, with its heavy involvement in Third World markets, has been hit hard by the international recession.

### Turkish blow

Ford tractors at Basildon, Essex, which accounts for more than a third of Ford's world tractor sales, is considering more short-time working in July. Mr. Geoff Tipplady, managing-director, last night said such a development was almost certain. Tractor production at International Harvester, which claims the third largest UK market share, has been hit by the strike of 3,000 clerical workers. About 3,000 workers at Doncaster have been made idle and output is at a standstill. At Bradford, about 700 are laid off and output has been hit.

As the leading manufacturer of agricultural tractors in Western Europe, British firms are hardly expected to escape the fall in demand from the record levels

of recent years. The downturn has also caused widespread redundancies and short-time working in the component supply industry.

The domestic market has held up well, but is still down from the peak of 1976. Sales in Western Europe are down, but there are hopes that the U.S. market may have bottomed out.

Massey-Ferguson has suffered from its involvement in developing countries. The economic crisis in Turkey, to which the Coventry plant supplied about 8,000 tractors a year, was a particular blow.

The company said last night that orders for the Coventry plant were 15 to 20 per cent down from normal. About 80,000 tractor units would be produced this year against normal output of between 75,000 and 85,000.

Market studies do not indicate any upturn in demand, so labour is being cut.

At Coventry, about 900 manual workers and 90 staff will be made redundant. At the Kilmarnock combine harvester plant the workforce will be cut by 50. Occasional short-time working and lay-offs would be necessary while the run down was implemented.

Massey has already cut its total UK workforce by 375 to 9,800 by natural wastage. The company will now be calling for early retirements and voluntary redundancies at Coventry and Kilmarnock. The extent of compulsory redundancy would depend on the response to that appeal. The company has promised to pay workers "in excess of the statutory minimum."

## BNOC helps Deminex by-pass oil export restrictions

BY RAY DAFTER, ENERGY CORRESPONDENT

THE British National Oil Corporation is helping to boost North Sea oil exports to West Germany in spite of Government restrictions on overseas sales of UK crude oil.

Deminex, the German exploration and production group with a major stake in the Thistle Field, has been refused Government permission to export directly from the field more than 50 per cent of its North Sea oil.

However, BNOC is helping to meet West Germany's energy needs by selling some of its crude to Deminex's parent, which has interests in German refineries. They include Veba, the energy, chemicals, glass and transport undertaking, and Wintershall, a wholly-owned subsidiary of the BASF chemicals group.

The arrangement means the state oil corporation is helping Deminex and its main parents to by-pass UK export limits which have caused some concern with overseas exploration groups and which are being watched closely by the European Commission in Brussels.

The EEC is particularly concerned about the Government's ruling that all UK North Sea oil must be landed in Britain unless a special waiver is granted. Officials have been investigating this rule to see if it conflicts with EEC competition legislation.

Deminex was one of the first caught in the controversy surrounding Britain's landing and export requirements. Originally, it had ventured in the North Sea to gain crude oil for West Germany's refineries. Until recently, however, the Department of Energy has insisted that up to two-thirds of North Sea crude oil should be refined in the UK.

### Other partners

After considerable negotiations Deminex, which has a 42 per cent stake in the Thistle Field, was told it could export only half its share of production.

Now it is learned that BNOC has arranged to sell to West German refiners crude oil produced by other partners in the Thistle venture.

Apart from gaining access to

51 per cent of the Thistle crude, through participation deals, it has agreed to dispose of all oil produced by the smallest member of the partnership—Chatterhouse.

It is understood that in addition, BNOC is arranging to sell all crude produced by Burmah which has an 8.1 per cent stake in Thistle.

It is expected that the first tanker load of Thistle crude to be exported shortly to Wintershall, West Germany, by the state corporation will be oil acquired from Burmah.

Lord Kearton, chairman and chief executive of BNOC, which is the operating company in the Thistle consortium, said last night that the deal was a normal commercial transaction. "All our deals are cleared with the Department of Energy. After all, we operate as part of the Government system."

Deminex in London said it was continuing to export half of its 41 per cent share of Thistle production. Tankers carrying its share of crude were alternating between British and West German ports.

## Greenall Whitley bids for Shipstone

BY ANDREW TAYLOR

GREENALL WHITLEY, the largest of the regional brewers, has launched a £10m agreed bid for James Shipstone, the Nottingham brewers, which only six weeks ago successfully defeated a £13m bid from Northern Foods.

Greenall is bidding eight of its shares plus £13.30 for every five Shipstone ordinary shares. There is also a cash offer for both classes of Shipstone preference shares.

The total cash element of the bid is £11m, which Greenall proposes to fund through a package of medium- and short-term loans.

The offer values Shipstone ordinary shares at 44p, with Greenall's shares slipping 5p to 112p yesterday. This compares with Northern Foods's abortive offer which valued the shares at around 30p.

Greenall's brewery business is largely centred on the North West, although recently it has been expanding its pub and club interests in Yorkshire. Shipstone operates almost exclusively in the East Midlands.

Mr. J. D. Pritchard-Barrett, managing director of Greenall, yesterday also announced a 17 per cent increase in first half pre-tax profits to around £5m, said that an enlarged group would be able to compete

more effectively with national brewery companies.

There was no overlap in the trading areas of the two companies. Shipstone would retain its separate identity and continue to brew its own range of traditional beers.

If the bid is successful, directors of Shipstone have already accepted the terms in respect of their 2.3 per cent stake—it is likely that Greenall will want to expand Shipstone's beer sales to free-trade outlets.

Around a tenth of Shipstone's sales are to the free trade compared with a quarter for Greenall, which has succeeded in building up its links with working men's and other clubs in the North West.

Mr. Pritchard-Barrett said that there was spare capacity at the Nottingham brewery for the group to develop this trade in the Midlands, which also has a strong clubbing tradition.

In addition the deal would provide a new outlet for Greenall's wines and spirits business through its Gilbert and John Greenall subsidiary.

Greenall, which claims to be the largest brewer in the North West, has around 2.3 per cent of the UK beer market. Shipstone's market share is about 3 per cent. Greenall Whitley half-year figures Page 24

## Dispute stops tank deliveries

BY NICK GARNETT, LABOUR STAFF

COMPLETED Scorpion light tanks have been marooned at the Alvis manufacturing works in Coventry for almost a month in a pay blackmail dispute between the Government, road hauliers and the Transport and General Workers Union.

Capel's Transport of Coventry, which has been instructed not to haul for the Ministry of Defence for 25 years, had its contract to haul Scorpions from the Alvis factory, part of British Leyland, to an Army depot near Andover withdrawn last month.

Capel's, following advice from the Road Haulage Association, of

which it is a member, declined to sign a contract clause certifying that it had complied with Government pay guidelines.

The company was party to a pay deal for West Midlands road hauliers last year which was viewed as being outside the guidelines. The association and the company felt that, as a result, it could not sign the clause.

Instead the company wrote to the Ministry that its pay deal last year had been signed between the local area of the association and the transport union.

The Ministry of Defence sub-

sequently told Alvis that there would be no more contract work with Capel's. Since then, however, the Ministry has failed to find another haulier to do the work.

Mr. Alan Low, the transport workers' regional trade group secretary for the Midlands, said yesterday that union drivers would not handle the work unless Capel's was given back the contract.

### Export

At the same time the workers at Alvis who load the Scorpions have been instructed not to deal with any company but Capel's in the despatch of these particular Scorpions.

It is understood that the delivery of Scorpions to the docks for export, which is handled by other hauliers, is not affected.

Capel's said it normally transported four of the vehicles a week and was the sole haulier of Scorpions for the home market. The contract was worth £10,000-£12,000 a year. Although the company wanted the contract back it could stand the loss.

The Ministry of Defence said the contract had been withdrawn because Capel's had refused to sign the undertaking and had therefore "disqualified" itself.

These particular Scorpions are intended as reserve stock but would eventually be sent to the Army in Germany.

The association said Capel's had no option but to comply with a local wages agreement and the Government's action was "as iniquitous as it is absurd."

The association has submitted new figures to the Department of Employment in an attempt to show that deals concluded by road hauliers, including those in the West Midlands, were not outside guidelines.

## Government corrects pay policy advice

BY CHRISTIAN TYLER, LABOUR EDITOR

THE GOVERNMENT yesterday corrected its pay policy advice to avoid breaches of contractual obligations.

Mr. Albert Booth, Employment Secretary, said in a House of Commons written answer that people on incremental salary scales who had been refused a rise that would take them over £5,500 a year under the first phase of the income policy could restore their position immediately.

In some cases, the Department had ruled that those people must await their settlement under Phase Three. In fact, they could be consistent with pay rises to that point of the incremental scale they would have occupied from August 1 last year, and payment could be backdated.

It was not until the beginning of Phase Three, on August 1 last year, that a cash ceiling on pay rises was removed, and those on higher earnings could achieve the

same percentage rises as the lower paid.

Year-by-year rises on pre-determined incremental scales were exempt throughout, except for the £5,500-a-year earners in Phase One.

The cost of such adjustments would have to be offset against the 10 per cent limits of Phase Three.

If a Phase Three settlement had already been made, the cost should be deducted from the next main settlement.

The Employment Department said last night that the numbers affected by the Minister's announcement would be small, as would the cost of the adjustment.

Incremental scales are common among white-collar public sector employees and some of the larger companies in the private sector.

Postman's leader raises hopes of incomes deal Page 9

Continued from Page 1

## Volvo joint concern

from the agreement with Norway. It will remain 100 per cent Swedish for security reasons.

Svenska AB Volvo, the new Swedish holding company, is to be compensated for the costs of the reorganisation and new establishments. It will receive over the next five years the dividend which would have gone to the Norwegian Government. The "agreement in principle"

is to be worked out in detail by October 15 and is scheduled to become effective from the beginning of next year. It will have to be approved by the Norwegian Parliament.

Mr. Gyllenhammar reiterated a previous denial of reports that Volvo had asked the Swedish Government for a Kr 100 loan to develop a new car.

THE LEX COLUMN

## Norwegian fill-up for Volvo

For Volvo, the agreement in principle with the Norwegian Government announced yesterday will bring in Skr 750m (£80m) of badly needed new equity plus the scope for subsidised diversification into a country in which its current involvement is quite small. It will also take it into a brand new field of activity, in the shape of rights to participate in the search for oil on the Norwegian continental shelf.

For Norway, this investment in Sweden's biggest privately-owned business represents an important step in its efforts to convert future oil revenues into employment, rather than imported consumption.

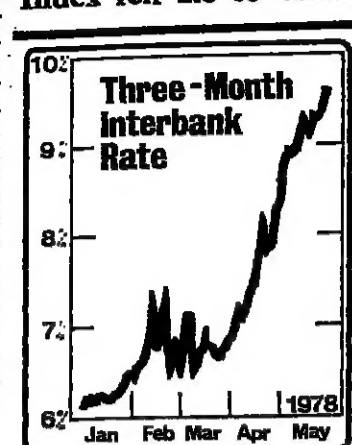
The cash will come from a new holding company quoted on the Oslo stock exchange: the Norwegian Government has guaranteed that enough funds will be available. On paper, Norway seems to be getting into Volvo at an attractive price. The current market capitalisation is about Skr 1.5bn, which suggests that the new shares are being bought at an effective discount of nearly a fifth. The dilution in terms of Volvo's net assets is even greater, since shareholders' equity amounts to nearly Skr 2bn and untaxed reserves to a further Skr 4bn.

However these calculations do not take into account any future equity in the new oil company, which will be 100 per cent owned by the original shareholders. The agreement is said to pave the way for discussions between the Norwegian and Swedish authorities concerning "a long term delivery agreement covering very large quantities."

In addition, Volvo has not been negotiating from a position of great financial strength. Its return on capital employed fell from 12 per cent in 1976 to 5 per cent in 1977, and the proportion of net worth to total assets dropped from 30.5 to 22.6 per cent over the same period. Assuming the new deal goes through, this figure will only recover to about 26 per cent. The group's international market share started to recover towards the end of last year, and a recovery in profits has already been forecast for 1978. But last year's abortive merger talks with Saab-Scania underlined the growing pressures on a medium-sized motor company with international ambitions.

With just 4,000 of its 80,000 strong workforce currently employed in Norway, Volvo is holders will only have to undertake to create the at the most 30 per cent capital

Index fell 1.8 to 468.8



"necessary conditions" directly and indirectly for 3,000 to 5,000 jobs over the first five years of the agreement. Since the Swedish holding company is going to be compensated for any loss of income resulting from this commitment, it should hardly be an onerous demand.

### Vickers

Vickers' balance sheet is now in a strange hybrid state. Take the nationalised assets at their book value of £67.6m — let alone the £150m which the company was airily talking about yesterday — and the gearing looks quite acceptable. But take in only the £7m which has actually been received so far, and £105m of equity is supported by a total of £110m of debt (before netting out £16m of cash). So with cash flow from trading running at around £17.5m, the group has cut back its original £30m capital spending projections.

At least the immediate trading picture looks reasonably bright, with the engineering order book usefully higher and Hovos-Algraphy still booming (though now short of capacity). Offshore engineering remains a problem area, however, and has been affected by a slow start to the North Sea season.

### Sharpe scheme

There is more to cash-rich W. N. Sharpe's capital reconstruction scheme than meets the eye. Essentially, the board is proposing that shareholders approve a Section 206 scheme of arrangement as a result of which they will receive one new share and 70p cash for every share they now hold. The strong workforce currently employed in Norway, Volvo is holders will only have to undertake to create the at the most 30 per cent capital

gains tax (and then only on the cash proportion) on the deal. Without Inland Revenue approval such a scheme would be prohibitively expensive. Progressive income tax rates would for example mean that the company chairman, Mr. N. H. Sharpe, would be subject to the highest tax rate of 38 per cent on a large part of his proceeds were the distribution to be treated as income.

Sharpe has been forced into the scheme of arrangement because of numerous takeover approaches. The directors decided that their best protection was for shareholders to sell the company to themselves, while at the same time draining off the £5m cash. Yet the Inland Revenue only gives approval for such schemes under Section 480 of the Income and Corporation Taxes Act 1970 provided there are bona fide commercial reasons for undertaking them. Does this decision mean that a threat of being taken over will be enough for a substantial cash repayment to qualify under Section 480 in future? If it does, maybe GEC should look around for a potential bidder.

### Greenall/Shipstone

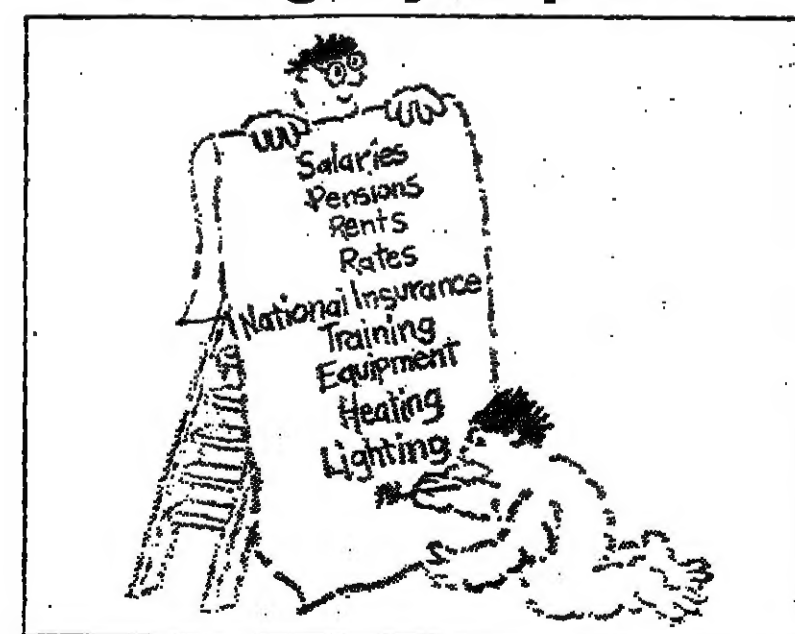
Even within the trade different people have very different ideas about what a brewery is worth. That much is clear from Greenall Whitley's agreed £19m bid for James Shipstone. Only six weeks ago Northern Foods, which in terms of market capitalisation is nearly twice Greenall's size, baulked at paying more than £13m.

Greenall admits that the price is high. It is paying 20 times earnings for a group with a rather dull profits record. But opportunities to acquire 384 outlets and move into a new market do not come along every day and Greenall obviously believes that it can develop Shipstone's free trade and take advantage of its under-utilised brewing capacity. At least it is acquiring the company at a discount of around a seventh to its net worth.

Given the substantial cash element in the consideration, the deal is not going to mean much dilution for Greenall's shareholders and in a full year the combined group should be capable of producing pre-tax profits of £15m. Ex-Shipstone, Greenall should be able to push its profits up from £10.2m, to close to £12m, in the current year.

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